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REPORT ON STATE ANNUAL ACCOUNTS 2018 ANNEX 4

State corporate holdings



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Report on State Annual Accounts 2018 Annex 4

State corporate holdings

Prime Minister's Office

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Abstract <p>As provided in section 46 of the Constitution, the Government submits to Parliament a report on the State annual accounts and information on the management of government finances and compliance with the budget including measures taken by the Government in response to the resolutions passed by Parliament.</p> <p>More detailed provisions on the report on the State annual accounts are set out in section 9a of the Government Act (175/2003) and sections 17 and 18 of the State Budget Act (423/1988). Section 18 of the State Budget Act stipulates that the State annual accounts and information on the central government finances and the State's financial management and operative performance included in the report on the State annual accounts shall provide true and fair information on compliance with the budget, State revenues and expenditure, the State's financial position and performance (true and fair view). Legislatively, the contents of the report are more specifically governed by the requirements laid down in the State Budget Decree (1243/1992).</p> <p>The 2018 report on the State annual accounts issued by the Government consists of five sections, the actual report and four annexes:</p> <p>Annex 1 Financial performance by ministries</p> <p>Annex 2 Financial statements</p> <p>Annex 3 Measures taken in response to statements and opinions issued by Parliament</p> <p>Annex 4 State corporate holdings</p>			
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<div>Tiivistelmä</div> <p>Valtioneuvosto antaa eduskunnalle hallituksen vuosikertomuksen perustuslain 46 §:ssä säädettyä kertomuksena hallituksen toiminnasta, valtiontalouden hoidosta ja talousarvion noudattamisesta sekä niistä toimista, joihin hallitus on eduskunnan päätösten johdosta ryhtynyt.</p> <p>Hallituksen vuosikertomuksesta säädetään tarkemmin valtioneuvostosta annetun lain (175/2003) 9 a §:ssä sekä valtion talousarviosta annetun lain (423/1988) 17 ja 18 §:issä. Talousarviolain 18 §:ssä edellytetään, että hallituksen vuosikertomukseen otettavien valtiontalouden ja valtion taloudenhoidon sekä toiminnan tuloksellisuuden kuvausten tulee antaa oikeat ja riittävät tiedot talousarvion noudattamisesta, valtion tuotoista ja kuluista, valtion taloudellisesta asemasta sekä tuloksellisuudesta (oikea ja riittävä kuva). Säädöstasolla kertomuksen sisältöä määrittävät erityisesti myös valtion talousarviosta annetun asetuksen (1243/1992) vaatimukset.</p> <p>Hallituksen vuosikertomus vuodelta 2018 muodostuu viidestä osasta, itse vuosikertomuksesta sekä neljästä liitteestä:</p> <p>Liite 1 Ministeriöiden tuloksellisuuden kuvaukset</p> <p>Liite 2 Tilinpäätöslaskelmat</p> <p>Liite 3 Toimenpiteet eduskunnan lausumien ja kannanottojen johdosta</p> <p>Liite 4 Valtion yhtiöomistus, liikelaitokset ja talousarvion ulkopuoliset rahastot</p>			
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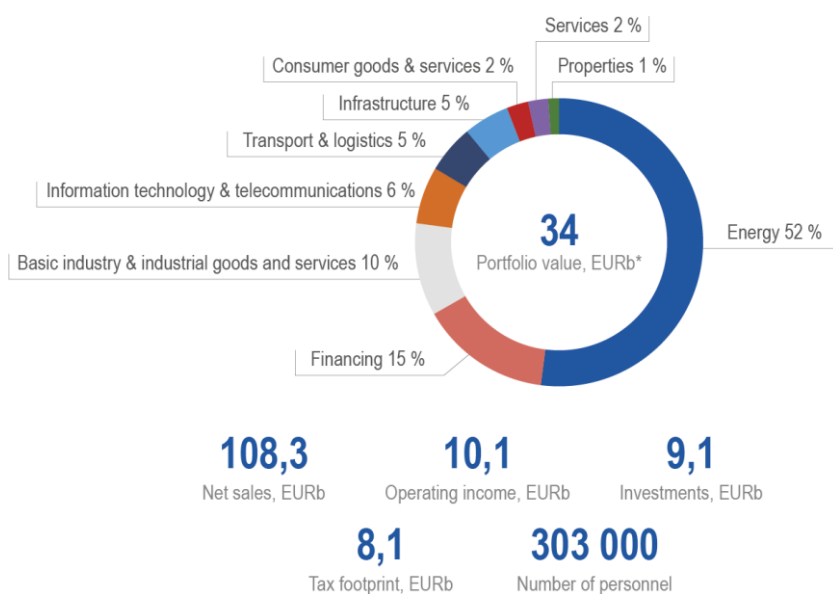
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1 State corporate holdings

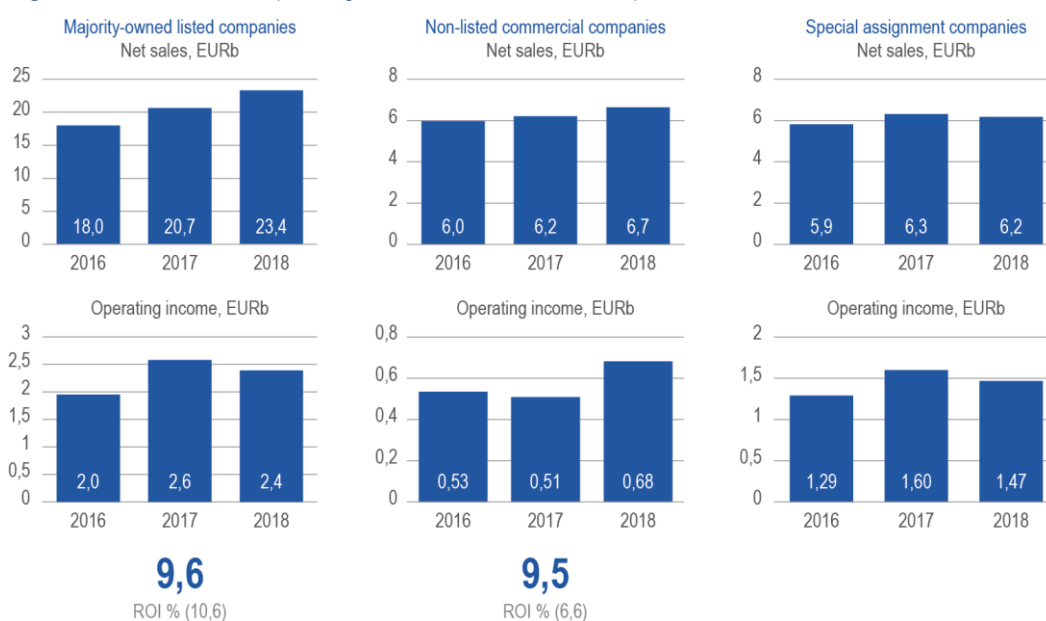
1.1 Key indicators

Figure 1. Distribution of state corporate holdings by field of activity and key indicators for 2018



*At the end of 2018. Market capitalisation of listed companies; valuation of unlisted companies based on an assessment made by the Ownership Steering Department.

Figure 2. Net sales and operating income of state-owned companies



1.2 Remuneration

The remuneration of executive management and employees is determined by the board of directors. As a shareholder, the State takes a pragmatic view of remuneration with due regard to market developments. Executive and staff remuneration is a tool used by the board of directors for the purpose of increasing the company's value. To be able to operate in an intensely competitive market, state-owned companies need to be able to hire executives and staff on competitive terms. State ownership must not compromise competition neutrality.

The State requires that the companies report on their remuneration policies and any changes in incentives to the Annual General Meeting. This requirement is based on a directive adopted in spring 2017, and the period of time allowed for implementation by Member States will end in June 2019. The Ownership Steering Department is of the opinion that, with the Shareholder Rights Directive, reporting by state-owned companies has reached a satisfactory standard of quality.

Generally, the fixed monthly salaries of CEOs in state-owned companies in 2018 were at a par with market levels. The trend in median salaries followed that of their peers.

The median incentive bonuses based on performance in 2018 and paid out in 2019 were approximately 50 per cent of the maximum profit-based compensation, which is the target level foreseen by the incentive remuneration system. The actual median annual bonus levels in peer companies exceeded the reference level. Performance-based remuneration refers to a level that the person involved may achieve when the objectives established by the board of directors are attained. Of the state-owned companies, the target level of total CEO remuneration fell short of the market level achieved by peer companies, particularly in listed companies.

As the earnings periods under the schemes are long and the rewards are not paid out annually, the bonuses paid out are not comparable year-on-year.

In the Government resolution on state ownership policy announced on 13 May 2016, the State adopted the position that supplementary pensions are not to be used as a form of incentive remuneration. If there are other shareholders in the company beside the State, the decision on any supplementary pension is made by the company's board of directors. If the chief executive officer's contract has taken effect before the announcement of said resolution, the contracts have followed the policies outlined in the previous resolution. Most of the supplementary pension schemes applied by state-owned companies are accrual-based plans with only few defined-benefit plans remaining at present. Supplementary CEO pension schemes are less common in unlisted state-owned companies than in peer companies. In listed state-owned companies, such supplementary pension schemes are being used as extensively as in peer companies.

1.3 Board appointments

In 2018, the Ownership Steering Department in the Prime Minister's Office proposed candidates for board membership to the AGMs or nomination committees of 31 companies. All in all, there were a total of 187 members on these boards, of whom the State had appointed 166. Of all State-appointed members, women accounted for 43 per cent of the total in 2018. During 2019, the Ownership Steering Department has or will propose candidates to the AGMs or nomination committees of 31 companies. Solidium Oy is active in the nomination committees of its portfolio companies and is so not included in the above figures.

During 2018 and 2019, the State proposed or will propose candidates to the boards of directors at a total of over 60 AGMs. This includes companies in respect of which ownership steering is exercised

by the Prime Minister's Office and other ministries. The total number of board members was over 300. Of all the State-appointed members, women accounted for more than 40 per cent of the total.

The State's objective is that neither gender should have less than 40 per cent of the State's board appointments. Failure to meet this objective can usually be explained by the total number of board positions available or the number of members that the State is authorised to appoint under shareholder agreements.

Gender is not the only criterion for the State's board appointments when it seeks to promote diversity in the composition of the boards. Other considerations include an international outlook, industry expertise and management skills. Most importantly, the composition of the board of directors must respond to the company's needs with each member contributing some added value.

With board members appointed on proposal from the State, the preferred duration of the term is 5–7 years. The members of the boards of directors are appointed by the general meeting of shareholders, which often also elects the chair of the board. At the AGMs, the State is represented by either the minister responsible for ownership steering or a designated government official. When screening suitable candidates for board membership, the State relies on an external consultant. At many of the companies in which the State is not the sole owner, the largest shareholders form a nomination committee to prepare issues related to the composition and remuneration of the board and to propose candidates for board membership to the meeting of shareholders.

Key criteria for board membership include experience and expertise, assurance of the capacity for cooperation and diversity of competence, and compliance with the gender equality objectives established by the Government. Board appointments offer a way of ensuring that the State's objectives are achieved as effectively as possible. When officials responsible for ownership steering are appointed to the boards of directors of state-owned companies, steps must be taken to ensure that such officials are not disqualified when preparing decisions affecting state ownership or exercising other shareholder control or powers.

1.4 Corporate social responsibility and sustainability

As declared in the government resolution on ownership policy, the State expects every company to establish measurable objectives for corporate social responsibility and report on their CRS performance, actions taken and goals for the coming years to the meetings of shareholders. This type of reports were submitted to the AGMs for the first time in spring 2017. At the 2018 AGMs, the State brought this point home so emphatically that today reporting by all the portfolio companies meets the required standards. At the AGMs held in 2019, special attention was paid to climate change and employee wellbeing.

Over the past few years, the State's expectations have increased from mere reporting to more strategic requirements regarding corporate social responsibility and sustainability in recognition of the overall development of society and stakeholder concerns. A sustainable competitive edge can only be gained through responsible action. Consequently, the promotion of corporate social responsibility is part of the toolkit of active owners in their efforts to increase shareholder value.

The Ownership Steering Department continued its regular dialogue with companies on corporate social responsibility and its advancement. The State underlines the importance of defining the key themes specifically to each individual company in order to ensure relevance in addressing the issues. When properly managed, they create favourable conditions for increasing the company's worth and shareholder value.

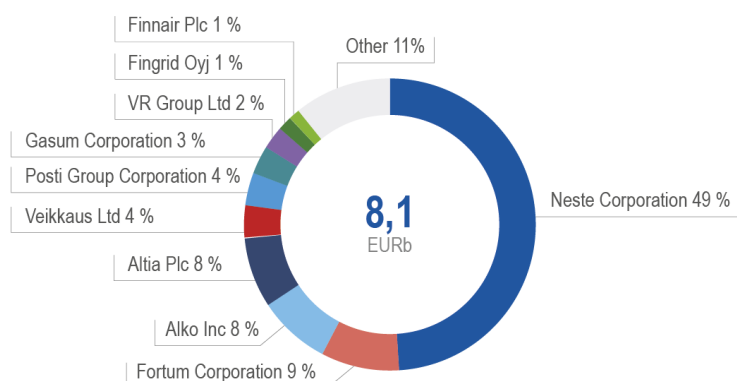
In 2018, the State organised a CSR seminar for its portfolio companies that attracted some 100 CSR professionals. The seminar addressed topical CRS issues and how they should be incorporated into business. Similar seminars are organised every two years or so.

1.5 Tax footprint

In the Government resolution on ownership policy, the State adopted an unambiguous position on tax reporting by companies. Taxes must be paid to the country in which the profits are earned. Minimisation of taxes through the use of tax havens is unacceptable.

The Ownership Steering Department in the Prime Minister's Office has been urging state-owned companies to publicly disclose their tax information since 2014. The 2018 tax data was gathered on all state-owned companies including companies which are ownership-steered by other ministries. The total tax footprint of all the companies was EUR 8.1 billion. The companies ownership-steered by the Prime Minister's Office have several years' experience of public tax reporting and have taken steps to develop their reporting further.

Figure 3. Breakdown of the total tax footprint of all state-owned companies.



1.6 Basic information on portfolio companies

Table 1. Key indicators for listed companies in 2018

Listed companies	Net sales	Operating income	Operating income %	Total assets	Equity ratio %	Gearing, %	Return on equity, %	Return on investment, %	Personnel
Altia Plc	357	20	5,5 %	390,4	38 %	32 %	10,5 %	10,2 %	678
Finnair Plc	2 835	208	7,3 %	2 947	43 %	67,2 %	14,8 %	11,9 %	6 360
Fortum Corporation	5 242	1 138	21,7 %	22 409	54 %	46 %	6,8 %	6,7 %	8 286
Neste Corporation	14 918	1 025	6,9 %	8 224	56 %	-2 %	17,4 %	18,3 %	5 468

Table 2. Key indicators for unlisted companies in 2018

Listed companies	Net sales	Operating income	Operating income %	Total assets	Equity ratio %	Gearing, %	Return on equity, %	Return on investment, %	Personnel
Arctia Ltd	50,9	2,2	4,4 %	300,1	49 %	70 %	1 %	1 %	497
Boreal Plant Breeding Ltd	9,4	0,5	5,3 %	12,3	70 %	-29 %	4 %	5 %	70
Cinia Group Ltd	45,7	2,2	4,8 %	109,1	39 %	71 %	3 %	3 %	272
Finavia Corporation	377,3	66,8	17,7 %	1 133,3	59 %	45 %	7 %	6 %	2 852
Fingrid Oyj	852,8	241,6	28,3 %	2 109,9	37 %	126 %	23 %	13 %	380
Gasum Corporation	1 177,4	124,2	10,5 %	1 526,6	44 %	85 %	14 %	11 %	434
Kemijoki Oy	47,9	-1,6	-3,3 %	477,6	11 %	810 %	2 %	0 %	35
Leijona Catering Oy	70,0	4,8	6,9 %	25,9	66 %	-77 %	21 %	27 %	437
Motiva Oy	7,2	0,2	3,2 %	4,6	50 %	-91 %	10 %	12 %	61
Nordic Morning	76,4	0,9	1,2 %	51,2	40 %	65 %	1 %	3 %	472
Patria Plc	476,1	35,9	7,5 %	501,7	54 %	27 %	13 %	12 %	2 816
Posti Group Corporation	1 610,3	5,7	0,4 %	1 005,1	45 %	-7 %	0 %	2 %	15 939
Suomen Lauttaliikenne Oy	54,6	8,9	16,3 %	63,0	75 %	-35 %	16 %	20 %	357
Mint of Finland	71,5	1,7	2,4 %	58,1	47 %	63 %	5 %	4 %	160
Finnish Seed Potato Centre Ltd	3,3	-0,1	-1,9 %	3,5	58 %	52 %	-4 %	-2 %	14
Suomen Viljava Oy	17,4	4,2	24,2 %	27,3	75 %	25 %	17 %	17 %	60
Tapio Ltd	9,9	0,3	3,5 %	15,0	67 %	-45 %	3 %	4 %	68
Vapo Oy	416,7	30,9	7,4 %	716,5	50 %	77 %	7 %	5 %	737
VR-Group Ltd	1 276,6	151,7	11,9 %	1 843,9	68 %	2 %	9 %	11 %	7 573

Table 3. Key figures for special assignment companies in 2018

	Net sales	Operating income	Operating income %	Total assets	Equity ratio %	Gearing, %	Return on equity, %	Return on investment, %	Personnel
Air Navigation Services Finland Oy	81,5	6,8	8,4 %	50,6	39 %	-69 %	20 %	30 %	447
A-Kruunu Oy	4,9	1,3	26,7 %	177,9	17 %	363 %	0 %	1 %	12
Alko Inc.	1 153,6	46,0	4,0 %	261,8	35 %	-128 %	42 %	52 %	2 690
CSC – IT Center for Science Ltd	44,9	1,8	3,9 %	31,1	33 %	-349 %	31 %	39 %	351
Finnpilot Pilotage Ltd	40,3	3,7	9,1 %	26,3	66 %	-30 %	16 %	20 %	324
Finnvera plc	0,0	100,0	-	11 039	12 %		7 %		357
Finrail Oy	36,0	1,8	5,0 %	13,5	45 %	-138 %	27 %	33 %	448
Governia Oy	41,3	16,8	40,7 %	202,8	70 %	8 %	12 %	9 %	22
Hansel Ltd	10,9	-0,7	-6,3 %	18,7	83 %	-107 %	-4 %	-4 %	95
Haus Kehittämiskeskus Oy	6,4	-0,2	-3,6 %	5,6	38 %	-351 %	-29 %	-19 %	37
Horse Institute Ltd	7,7	0,3	3,2 %	5,0	76 %	-53 %	5 %	7 %	73
Municipality Finance Plc	239,1	190,0	79,5 %	35 677,0	4 %		11 %		151
Solidium	0,0	-4,6	-	9 093,0	88 %				11
SoteDigi Oy	0,0	-1,7	-	89,2	99 %	-99 %	-2 %	-2 %	21
STUK International Ltd	7,4	1,5	19,8 %	5,4	33 %	-191 %	50 %	123 %	0
State Security Networks Ltd	97,4	-2,4	-2,5 %	256,3	87 %	-8 %	-2 %	-1 %	345
Finnish Aviation Academy Ltd	10,2	0,1	1,0 %	19,3	95 %	-34 %	1 %	1 %	45
Finnish Minerals Group	325,8	2,3	0,7 %	788,4	60 %	-17 %	-7 %	-1 %	677
Finnish Industry Investment Ltd	89,7	67,7	75,6 %	1 030,5	97 %	-38 %	6 %	7 %	36
Suomen yliopisto-kiinteistöt Oy	159,5	46,0	28,8 %	1 357,1	46 %	107 %	5 %	4 %	30
VTT Technical Research Centre of Finland Ltd	159,8	-7,8	-4,9 %	260,0	59 %	-79 %	12 %	8 %	2041
Finnish Fund for Industrial Cooperation Ltd	0,0	-11,9	-	553,9	46 %	95 %	1 %	9 %	80
Tietokarhu Oy	32,8	7,2	21,9 %	16,2	38 %	0 %	112 %	144 %	137
State Business Development Company Vake Oy	0,0	-1,1	-	1 816,9	98 %	0 %	0 %	0 %	4
Veikkaus Ltd	3154,7	1014,5	32 %	1 353,5	87 %	-11 %	87 %	87 %	2074
Vimana Oy	0,0	-5,2	-	6,4	86 %	-108 %	-185 %	-185 %	30
Finnish Broadcasting Company Ltd	471,7	-7,5	-1,6 %	315,4	41 %	10 %	-4 %	-3 %	3309

1.7 Value changes of the State's portfolio of listed equities

Directly held listed companies

The market capitalisation of the State's listed portfolio companies increased by 11 per cent in 2018. The movement in market value is not directly comparable to 2017 because the State's interest in Neste Corporation fell by 5.35 per cent in 2018. At the end of the year, the State held a total of 44.75 (50.1) per cent of Neste's share capital. Another important change in the portfolio of listed companies during the reporting period was Altia's listing in the Nasdaq OMX Helsinki Stock Exchange.

The overall increase in the market value of state-owned listed companies was supported by the excellent financial performance of Fortum and Neste. As a result, Neste's share price increased by 26 and Fortum's by 16 per cent thanks to substantial profits. Finnair's market capitalisation fell by 45 per cent while the share price of Altia, which went public in March, remained 6 per cent below the subscription price.

The total 12-month return on the portfolio was 21.8 per cent. In 2018, the general index of the Nasdaq OMX Helsinki Stock Exchange decreased by -8.0 per cent and the return index by -4.2 per cent. Consequently, the portfolio performed well compared with the overall market developments. Aside from Finnair, the companies beat their benchmark indexes.

The dividend yield from directly held listed companies at 2018 year-end prices was 4.6 (4.8) per cent. The dividend yield of companies listed at the Nasdaq OMX Helsinki Exchange was 5.3 (4.6) per cent at 2018 year-end prices.

The returns earned by the State from its shareholdings increased substantially during the reporting period. All in all, the dividends, capital returns and sales proceeds totalled EUR 2448 (1845) million. The figure was increased by the EUR 1035 (0) million proceeds from the sale of interests in Neste and Altia.

Total dividends paid by directly held listed companies increased to EUR 723 (670) million. By contrast, total dividends and capital returns paid by unlisted companies fell to EUR 339 (590) million due to the one-off dividends received in the reference year. Sodium paid a total of EUR 351 (585) million in dividends. The figure for the reference year was increased by Solidium's EUR 278 million dividends for the financial year 2015/2016, which were exceptionally paid during 2017.

Table 4. Movement in the market capitalisation of state holdings in listed companies

	Ownership interest %	2013	2014	2015	2016	2017	2018
Altia Plc	36,2						93
Finnair Plc	55,8	198	177	388	288	917	507
Fortum Corporation	50,8	7 499	8 103	6 277	6 570	7 440	8 613
Neste Corporation	44,7 (50,1)	1 846	2 577	3 549	4 689	6 853	7 729
Total		9 543	10 857	10 214	6 858	15 210	16 941
Total interests held by Solidium Oy		8 172	7 616	6 835	7 848	8 538	6 842
Total		17 715	18 474	17 050	19 395	23 748	23 783

Table 5. Financial performance

	Return %, 1y	Benchmark index 1y	Return %, 5y*	Benchmark index 5y*
Altia Plc	N/A	N/A	N/A	N/A
Finnair Plc	-43,2	-22,4	21,9	7,3
Fortum Corporation	23,1	3,0	10,8	5,5
Neste Corporation	29,7	0,1	40,7	2,9

* Annualised

Figure 4. Shares prices of directly held listed companies

2.1.2014=100

**Figure 5.** Dividends, capital returns and sales proceeds received by the State on cash basis

Solidium-held companies

Table 6. Solidium's investment portfolio at 31 December 2018

Solidium – all equity investments	EURm	% of the company	% of the portfolio
Sampo	2 153	10,1%***	31 %
Nokia	1 036	3,7 %	15 %
Stora Enso	912	10,7%*	13 %
Elisa	606	10,0 %	9 %
Metso	512	14,9 %	7 %
SSAB	351	13,5%**	5 %
Outokumpu	304	22,8 %	4 %
Valmet	300	11,1 %	4 %
Kemira	255	16,7 %	4 %
Tieto	175	10,0 %	3 %
Konecranes	154	7,4 %	2 %
Outotec	84	14,9 %	1 %
Solidium – all equity investments	6 843		100%
Breakdown of investments	EURm		% of the portfolio
Solidium – all equity investments	6 995		100 %
Solidium – all equity investments	6 843		98 %
Solidium – all investments in fixed income instruments	152		2 %

*) Solidium holds 10.7% of all Stora Enso shares and 27.3% of all votes

**) Solidium holds 13.5% of all SSAB shares and 10.0% of all votes

***) Solidium holds 10.1% of all Sampo shares and 10.0% of all votes

On 31 December 2018, equity investments accounted for approximately 98 (97) per cent of Solidium's portfolio. The greatest weight in equities was in Sampo, which accounted for 31 (36) per cent of the total. Solidium's money market investments stood at EUR 152 (309) million.

Table 7. Return on Solidium-owned company shares

	Return, % 1 year		Return, % 5 year	
	Company	Index	Company	Index
Elisa	15,0	-8,0	19,0	1,0
Kemira	-10,0	-14,0	1,0	3,0
Konecranes*	-28,0	-16,0	4,0	6,0
Metso	-16,0	-19,0	4,0	-1,0
Nokia*	34,0	-10,0	1,0	8,0
Outokumpu	-57,0	-37,0	-1,0	-5,0
Outotec	-57,0	-19,0	-16,0	-1,0
Sampo	-11,0	-10,0	7,0	7,0
SSAB	-31,0	-37,0	-3,0	-5,0
Stora Enso	-22,0	-20,0	10,0	2,0
Tieto	-5,0	-14,0	13,0	7,0
Valmet	13,0	-19,0	25,0	-1,0

*) Konecranes 24 May 2017, Nokia 26 Jan 2018

The total return on Solidium's equity portfolio fell short of the weight-limited OMX Helsinki Cap GI gross index over the past 12 months. Solidium's total return on the share portfolio was -13.1 per cent while the index returned -3.9 percent. The overall return of 10.3 per cent on the portfolio since Solidium's establishment fell short of the benchmark index, which was 12.6 per cent.

During the calendar year, the best performance in terms of returns was put in by Nokia, Elisa and Valmet whereas the returns on other portfolio companies remained negative.

In 2018, Solidium sold shares to a total value of EUR 1380 million. In February 2018, Solidium sold SSAB shares for EUR 151 million and its remaining holdings in Telia Company for 517 million. Additionally, Solidium sold Sampo shares for EUR 466 million in March 2018 and Class R shares in Stora Enso for EUR 246 million in June.

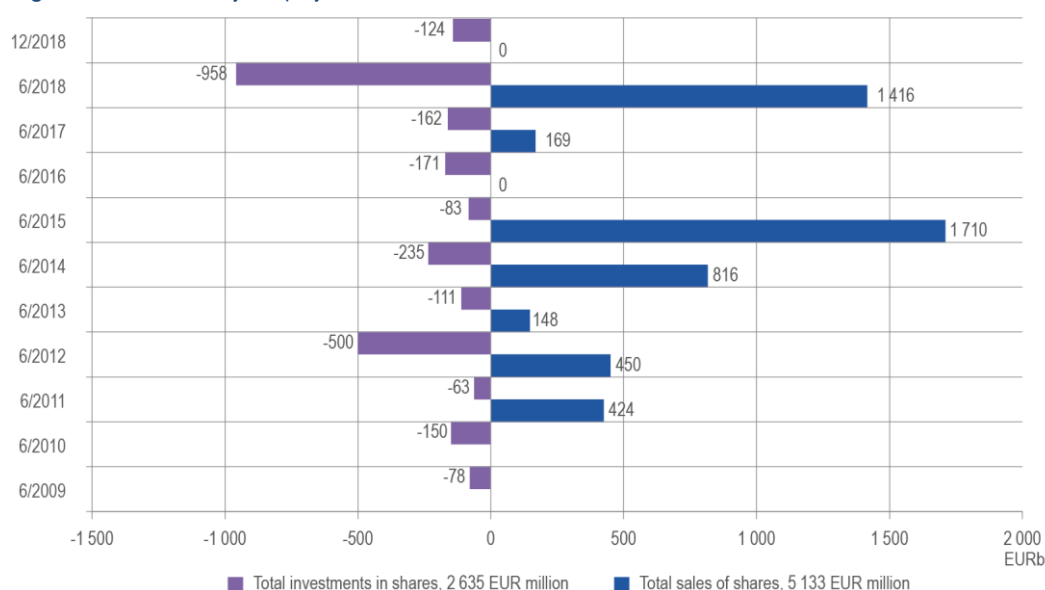
Aside from the sales, Solidium acquired other shares to a total value of EUR 1053 million during the reporting period. It continued to invest in Konecranes by buying more shares for EUR 88 million. Solidium's biggest single investment was the purchase of Nokia shares for EUR 845 million in early 2018, a deal made partly possible by the sale of the interests in Telia Company.

In the autumn, Solidium acquired additional shares in Nokia for EUR 95 million. In June, Solidium bought Class A shares in Stora Enso for EUR 25 million at the same time as it divested its Class R shares. As a result, Solidium's voting rights remained unchanged.

After the end of the calendar year, Solidium made an investment in a new company by buying shares in Nokian Renkaat for EUR 205 million in early 2019. Telia Company exited from Solidium's portfolio in February 2018.

During the calendar year, the market capitalisation of Solidium's equity portfolio decreased by EUR 1695 million. The sale of shares exceeded purchases by EUR 327 million. During the reporting period, the company received EUR 348 million and paid out EUR 351 million in dividends.

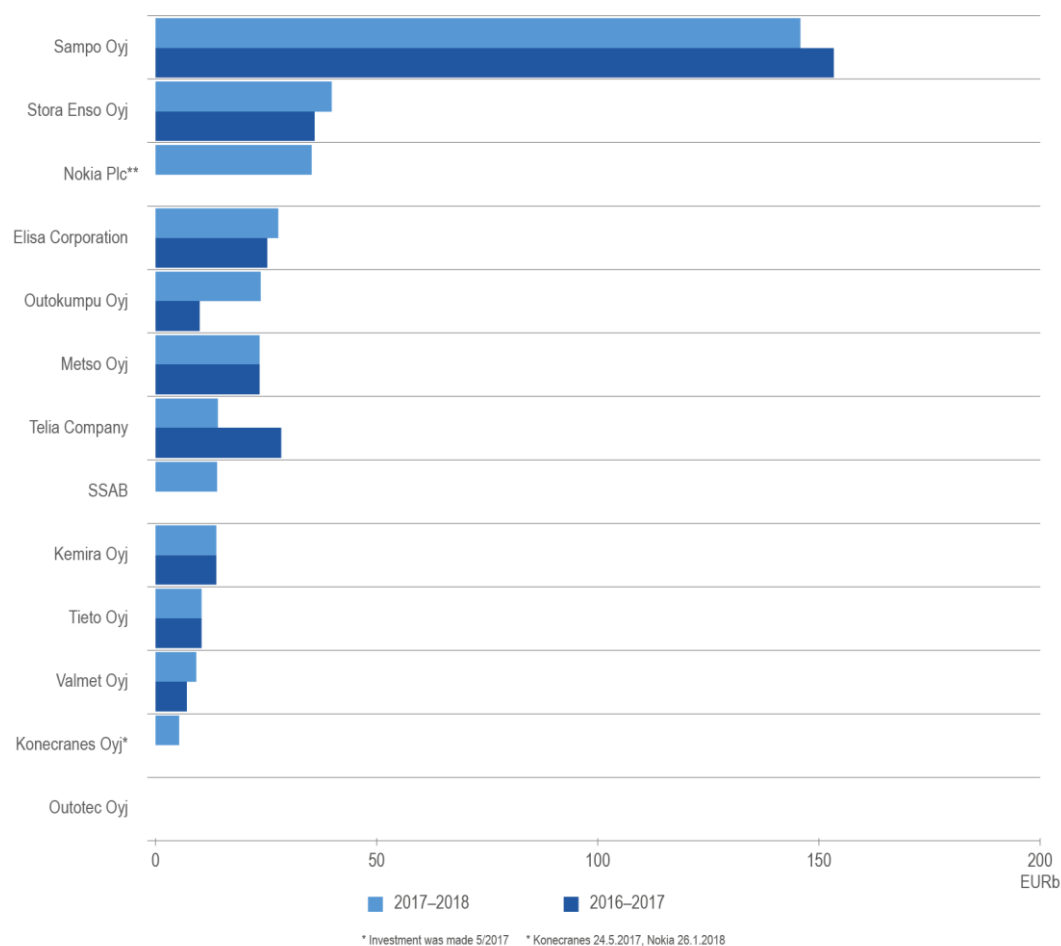
Figure 6. Solidium Oy's equity investments and sales in 2018



The dividend yield on Solidium's portfolio inclusive of Nokian Renkaat was 5.3 (4.5) at 2018 year-end prices and the payout ratio 105 (109) per cent. The dividend yield of companies listed at the Nasdaq OMX Helsinki Stock Exchange at 2018 year-end prices was 5.3 (4.6) per cent and the payout ratio 84 (78) per cent.

Since 2008, Solidium has received a total of EUR 3.4 billion in dividend income. At the same time, Solidium has paid a total of EUR 5.4 billion in dividends to the State. Consequently, Solidium has paid the State some EUR 2 billion more than it has received in dividends. This was made possible by the sale of shares by Solidium, as a result of which its annual dividend income has decreased. All in all, Solidium has invested some EUR 2.6 billion in equities and sold stock for some EUR 5.1 billion.

Figure 7. Dividends paid by Solidium Oy's portfolio companies



1.8 Direct state holdings in listed companies

Altia Plc

Altia is an alcoholic beverage brand company operating in the wines and spirits markets in the Nordic and Baltic countries. The company produces, imports, markets, sells and distributes its own brands and partner products and exports alcoholic beverages to approximately 30 countries.

ALTIA PLC

State shareholding

36,2 %

Ownership steering

Prime Minister's Office

Strategic interest of ownership

No strategic interest

Board of Directors proposed 30 January 2019

Sanna Suvanto-Harsaae (Chair), Kim Henriksson, Tiina Lencioni, Jukka Ohtola, Anette Rosengren, Torsten Steenholt, Kai Telanne

Chief Executive Officer

Pekka Tennilä

Key financial indicators		2018	2017
Net sales	EURM	357,3	359,0
Operating income	EURM	19,7	26,1
Operating margin	%	5,5	7,3
Total assets	EURM	390,4	398,4
Equity ratio	%	38,4	34,3
Gearing	%	31,6	34,9
Return on equity	%	10,5	11,1
Return on investment	%	10,2	12,5
Total dividends paid	EURM	13,7	0,0
Dividends received by the State	EURM	0,0*	0,0
Investments	EURM	7,7	11,9
Personnel, total, 31 Dec		678	703
Personnel, Finland, 31 Dec		402	411
Gender composition of the management team	w/m	2/5	2/5
Gender composition of the Board of Directors	w/m	3/4	3/4
Total tax footprint	EURM	627,2	607,5
Tax footprint in Finland	EURM	330,3	301,3

Altia listed in Nasdaq OMX Helsinki Stock Exchange

The sales of Altia's key Nordic brands were brisk due to vigorous exports in particular. The company's net sales decreased slightly by -0.5 per cent. The weakness of the Swedish and Norwegian currencies was reflected in revenues and financial performance. The operating income fell to EUR 19.7 (26.1) million. Other factors affecting financial performance were the listing costs and increased raw material prices. No material changes took place in the Group's balance sheet position relative to the reference year. The company's liquidity remained solid throughout the financial year.

Altia was listed on the Nasdaq OMX Helsinki Stock Exchange in March. The listing included the sale of the State's EUR 23 million interest and an employee issue. The subscription price per share was EUR 7.50 in the public offering and EUR 6.75 in the employee issue. The shares were oversubscribed by a wide margin. By the end of the year, the State's interest in the company had decreased to 36.2 per cent. After the end of the financial year, all State holdings were transferred to the State Business Development Company Vake Oy*. Responsibility for ownership steering in respect of the company continues to rest with the Ownership Steering Department in the Prime Minister's Office.

Corporate social responsibility, sustainability and circular economy

Corporate responsibility and sustainability is a strategic issue of major importance to Altia. Through its products, Altia wishes to promote a modern and responsible Nordic consumption culture which underlines responsible values and quality instead of quantity. Altia is committed to the ethical principles of BSCI in its own operations and those of the entire supply chain.

The operations of the Koskenkorva Factory are based on circular economy. The locally grown barley used as the raw material is utilised to the full. Aside from the principal products, the factory produces a number of by-products for in-house use and for the needs of industrial customers. Even the barley shells are incinerated in the biofuel-fired power plant next to the factory.

Finnair Plc

Finnair is a network airline specialising in scheduled services between Asia and Europe. Finnair flies to 19 destinations in Asia, 8 in Northern America and over 100 destinations in Europe.

FINNAIR PLC

State shareholding

55,8 %

Ownership steering

Prime Minister's Office

Strategic interest of ownership

To develop Finland as a hub of international air traffic.

Board of Directors 20 March 2019

Jouko Karvinen (Chair), Tiina Alahuhta-Kasko, Colm Barrington, Montie Brewer, Mengmeng Du, Jukka Erlund, Henrik Kjellberg and Jaana Tuominen

Chief Executive Officer

Topi Manner

Key financial indicators		2018	2017
Net sales	EURM	2 834,6	2 568,4
Operating income	EURM	207,5	224,8
Operating margin	%	7,3	8,8
Total assets	EURM	2 947,3	2 887,1
Equity ratio	%	42,6	42,1
Gearing*	%	67,2	69,9
Return on equity	%	14,8	18,1
Return on investment	%	11,9	13,6
Total dividends paid (proposal)	EURM	35,1	38,4
Dividends received by the State	EURM	19,6	21,5
Investments	EURM	327,0	397,4
Personnel, total, 31 Dec		6 360	5 526
Personnel, Finland, 31 Dec		5 828	5 034
Gender composition of the management team	w/m	4/5	4/5
Gender composition of the Board of Directors	w/m	3/5	3/5
Total tax footprint	EURM	101,5	90,1
Tax footprint in Finland	EURM	100,5	89,1

* Adjusted gearing

Profitable growth continued

Strong demand for air travel services combined with increased capacity as a result of the modernisation of the fleet contributed to a 10 per cent increase in Finnair's net sales. The number of passengers carried went up by 11.6 per cent reaching 13.3 million. At the same time, passenger traffic capacity increased by 14.8 per cent on 2017.

Approximately 79 per cent of net sales was generated by passenger traffic revenues that increased in all operating areas. Similarly, sales of other products, such as cargo and travel services, increased. The comparable operating income was EUR 169.4 million, close to the previous year's level. The operating margin fell to 7.5 per cent.

Finnair's financing position is strong, which will enable the foreseen future investments. During 2018, investments focused mostly on fleet modernisation, aircraft upgrades and digital services. At the end of reporting period, Finnair Plc operated twelve wide-bodied A350 XWB aircraft. A further seven A350 planes are due to be delivered during 2019–2022.

Strategy implementation

Finnair Plc continued to pursue its strategy of focusing on staff experience, customer experience, renewal and growth. Additionally, corporate social responsibility and sustainability play an important part in all operations.

As a result of accelerated growth, the company recruited 544 new employees.

The employee turnover rate fell to 3.3 per cent. Main efforts in enhancing the customer experience focused on creating new service concepts. At the same time, efforts were continued to develop digital tools for use by the staff.

Finnair's most important action was the investment in the new fleet, which will be more energy-efficient and less noisy than the aircraft of the previous generation. Finnair is committed to the industry goals regarding carbon-neutral growth as of 2020.

Fortum Corporation

Fortum is engaged in electricity and heat generation, waste incineration and circular economy solutions including the provision of expert energy services and consumer solutions.

FORTUM CORPORATION

State shareholding

50,8 %

Ownership steering

Prime Minister's Office

Strategic interest of ownership

To secure adequate supply of energy under all circumstances

Board of Directors 26 March 2019

Matti Lievonon (Chair), Eva Hamilton, Kim Ignatius, Essimari Kairisto, Klaus-Dieter Maubach, Anja McAlister, Veli-Matti Reinikkala, Marco Ryan, Philipp Rösler

Chief Executive Officer

Pekka Lundmark

Key financial indicators		2018	2017
Net sales	EURM	5 242	4 520
Operating income	EURM	1 138	1 158
Operating margin	%	22	26
Total assets	EURM	22 409	21 753
Equity ratio	%	54	61
Gearing	%	46	7
Return on equity	%	6,8	6,5
Return on investment	%	6,7	7,1
Total dividends paid	EURM	977	977
Dividends received by the State	EURM	496	496
Investments	EURM	4 667	1 629
Personnel, total, 31 Dec		8 286	8 785
Personnel, Finland, 31 Dec		2 238	2 165
Gender composition of the management team	w/m	2/8	2/8
Gender composition of the Board of Directors	w/m	3/5	3/5
Total tax footprint	EURM	703	966
Tax footprint in Finland	EURM	186	199

Electricity markets developed favourably

Fortum's financial performance was aided by the increase in the price of electricity. Comparable operating income increased by 22 per cent to EUR 987 (811) million, mostly due to the good performance of the Generation Division. The comparable operating income of the Russia Division was undermined, among other things, by the fall in the exchange rate of the rouble, which was partly compensated by the electricity generation and capacity fees. Uniper's impact on financial performance was in 2018 still marginal.

Further progress was made in the implementation of Fortum's strategy as the integration between Ekokem and Hafslund moved forward and the bid to purchase Uniper was accepted. At the end of 2018, Fortum held 49.99 per cent of the shares and voting rights in Uniper. The company continued to invest in renewable energy which currently represents a capacity of 3 GW consisting of solar power and wind farms and a number of development projects in the Nordic Countries, India and Russia.

Strategy updated

Fortum updated its strategy in November 2018 in order to pursue its vision "For a Cleaner World" announced in 2016. Over the next few years, the company will focus on improving efficiency and flexibility, ensuring the success of its major investments and optimising the portfolio. At the same time, the company will seek growth in the electricity value chain and create a basis for new lines of business.

For Fortum, climate change has for a long time been a megatrend that has shaped its business operations. The company is aiming for a low-emission energy system by investing in carbon-free generation and improving energy and resource efficiency. In the field of corporate social responsibility, the company has focused on occupational health and safety, which has improved as far as in-house personnel is concerned, but there is still room for improvement among contractors.

Neste Corporation

Neste is the world's leading producer of diesel fuel made from wastes and residues and also creates renewable solutions for the aviation and plastics industries. In 2018, the company ranked third on the Global 100 list of the world's most responsible companies.

NESTE CORPORATION

State shareholding

44.7% (Prime Minister's Office 36.4%; Vake Oy 8.3%)

Ownership steering

Prime Minister's Office

Strategic interest of ownership

To secure nationwide fuel supply with due regard to the maintenance of emergency stocks of critical supplies.

Board of Directors 2 April 2019

Matti Kähkönen (Chair), Elizabeth (Elly) Burghout, Sonat Burman-Olsson, Martina Flöel, Jean-Baptiste Renard, Jari Rosendahl, Willewm Schoeber, Marco Wiren

Chief Executive Officer

Peter Vanacker as of 1 November 2018 (Matti Lievonon)

Key financial indicators		2018	2017
Net sales	EURM	14 919	13 217
Operating income	EURM	1 025	1 171
Operating margin	%	6,9	8,9
Total assets	EURM	8 224	7 793
Equity ratio	%	56,3	55,8
Gearing	%	-1,5	9,5
Return on equity	%	17,4	22,6
Return on investment	%	18,3	21,9
Total dividends paid	EURM	585	436
Dividends received by the State	EURM	210	218
Investments	EURM	395	472
Personnel, total, 31 Dec		5 468	5 297
Personnel, Finland, 31 Dec		3 681	3 581
Gender composition of the management team	w/m	2/7	2/9
Gender composition of the Board of Directors	w/m	3/5	3/5
Total tax footprint	EURM	3 973	3 826
Tax footprint in Finland	EURM	3 322	3 162

Excellent financial performance sustained

Neste continued to put in an excellent financial performance. The company's comparable operating income reached an all-time high of EUR 1422 (1101) million. Underlying the positive trend was Renewable Products, which increased its comparable operating income to EUR 983 (561) million. By contrast, Oil Products' comparable operating income decreased to EUR 397 (495) million. Marketing & Services improved its performance to EUR 77 (68) million. The success of Renewable Products was due to favourable market developments and improved sales margins whereas Oil Products was affected by a reduced reference margin and the weaker US dollar.

As of result of the good financial performance, the company was able to achieve its strategic goals. The return on investment exceeded the 15 per cent target and the solid cash flow strengthened the balance sheet position. Liabilities accounted for -1.5 per cent of total capital reserves while the company's strategic objective is to keep it under 40 per cent.

In December 2018, Neste announced its decision to invest in increasing the production capacity of renewable products at its Singapore facility by 1.3 million tonnes. Worth some EUR 1.4 billion, this investment will bring total capacity to about 4.5 million tonnes in 2022.

Changes in state holdings

In 2018, the State's interest in Neste decreased to 49.7 per cent when the Government donated state-held Neste shares worth EUR 50 million to the Itla Children's' Foundation.

Additionally, the State sold 12.8 million Neste shares in June 2018. As a result of the sale, the State's interest in the company decreased by about 5 percentage points.

In December 2018, the State transferred 8.3 per cent of its Neste shares to the State Business Development Company Vake Oy.

In February 2019, the State transferred Neste shares to Pohjolan Rautatiet Oy for a total value of EUR 107 million.

1.9 Direct state holdings in listed companies

Arctia Ltd

Arctia's business operations include icebreaking and multipurpose vessel services, maintenance and operation of waterways and canals, prevention of environmental accidents, other water-course-related services and the provision of expert services in Finland and internationally.

ARCTIA LTD

State shareholding

100 %

Ownership steering

Prime Minister's Office

Strategic interest of ownership

Arctia: To ensure winter navigation capabilities in order to serve the needs of Finnish business and industry
Meritaito: To provide hydrographic surveying services necessary for the maintenance of naval preparedness

Board of Directors 22 March 2019

Pertti Saarela (Chair), Pirjo Kiiski, Hanna Masala, Sinikka Mustakari, Mats Rosin, Kari Savolainen

Chief Executive Officer (acting)

Kim Höijer

Key financial indicators		2018	2017
Net sales	EURM	50,9	48,9
Operating income	EURM	2,2	0,1
Operating margin	%	4,4	0,3
Total assets	EURM	300,1	274,5
Equity ratio	%	49,2	50,1
Gearing	%	70,4	70,4
Return on equity	%	1,0	-1,0
Return on investment	%	0,8	0,1
Total dividends paid	EURM	1,6	1,5
Dividends received by the State	EURM	1,6	1,5
Investments	EURM	12,7	5,7
Personnel, total, 31 Dec		497	268
Personnel, Finland, 31 Dec		497	268
Gender composition of the management team	w/m	2/5	2/4
Gender composition of the Board of Directors	w/m	3/5	2/3
Total tax footprint	EURM	5,6	4,2
Tax footprint in Finland	EURM	5,6	4,2

Normal ice conditions in winter

Arctia's net sales increased slightly on 2017 reaching EUR 50.9 million while the operating income increased to EUR 2.2 million. Both sales and financial performance were affected by the increase in the number of operating days relative to the previous year due to the ice conditions and Meritaito's merger with Group in December. At the same time, the low volume of international operations undermined the Group's business growth, but the effect of the decrease could be mitigated by cost adjustments. The company's balance sheet and financial position remained solid close to the previous year's level.

While the ice conditions in winter 2018 were normal in terms of long-term averages, the situation was more demanding compared with the two preceding years. The cumulative number of operating days was 662 (447). In contrast, offshore days declined in number substantially to 4 (46). Only two short-term charters were secured by offshore operations during the reporting year, bringing total operating days to 5 (65). Because of bleak business prospects, the company made a decision after the end of the financial year to abandon the current offshore concept for the time being.

Meritaito Ltd, which was merged with the Group, improved its all-year performance due to increased orders and successful efficiency-enhancing measures. As of 13 December 2018, the new group company generated EUR 2.5 million in revenues and an operating income of EUR 0.4 million for the Group.

Stronger together

The services currently offered by Arctia and Meritaito and combined in December are mutually complementary, making it possible to develop the business more extensively than earlier. Moreover, the new combination is in a stronger position to deliver the strategic services specified by the owner.

The safety of the services provided and maritime safety in general are key priorities for Arctia in terms of corporate social responsibility.

Boreal Plant Breeding Ltd

Boreal Plant Breeding breeds and markets productive high-quality varieties of field crops for professional farmers operating in the harsh growing conditions prevailing in northern Europe. Boreal is the market leader in its line of business in Finland.

BOREAL PLANT BREEDING LTD

State shareholding

60,75 %

Ownership steering

Prime Minister's Office

Strategic interest of ownership

To ensure the continued breeding of production plant species suitable for the northern climate and to retain ownership of the breeding material. Availability of the necessary varieties is important to the maintenance of emergency stocks of critical supplies.

Board of Directors 19 March 2019

Riitta Mynttinen (Chair), Jyrki Lepistö, Minna Oravuo, Birgitta Vainio-Mattila, Petri Vihervuori

Chief Executive Officer

Markku Äijälä

Key financial indicators		2018	2017
Net sales	EURM	9,4	9,5
Operating income	EURM	0,5	0,2
Operating margin	%	5,3	2,0
Total assets	EURM	12,3	11,4
Equity ratio	%	70,1	74,4
Gearing	%	-29,2	-22,5
Return on equity	%	3,6	1,0
Return on investment	%	5,4	2,1
Total dividends paid	EURM	0,3	0,3
Dividends received by the State	EURM	0,2	0,2
Investments	EURM	0,7	0,7
Personnel, total, 31 Dec		70	70
Personnel, Finland, 31 Dec		70	70
Gender composition of the management team	w/m	2/4	3/3
Gender composition of the Board of Directors	w/m	2/3	2/3
Total tax footprint	EURM	3,1	2,7
Tax footprint in Finland	EURM	3,1	2,7

Forward-looking research and development

Boreal's net sales decreased by 1.0 per cent from the previous year. The change was due to the fall in the sale of seeds and end-user license fees.

To some extent, the declining trend was offset by an increase in the use of certified spring cereal seeds, which boosted royalties. Additionally, the export markets continued to develop favourably, even though exports still account for very little of the total production.

The company managed to increase its operating income. Profitability improved more than foreseen, particularly towards the end of the year. The growing season was exceptionally warm and dry. Profitability of agriculture continued to be weak and the cultivation area of cereal crops continued to decrease.

Despite stiff competition, Boreal retained its 52 per cent share of the cultivation area, more or less equal to the 2017 level. In grasses, the market share even increased slightly. In 2018, six new Boreal varieties and three new representation varieties were approved for inclusion in the Finnish list of plant varieties.

Most of the investments in the reporting period were made in three new technologically advanced sub-plot threshers. In breeding, the company continued to focus on genome selection in order to improve efficiency and speed up the breeding process.

Corporate social responsibility and sustainability as part of business

Plant breeding plays a key role in the efforts to adapt to climate change. The importance of local breeding is underlined in borderlands of cultivation like Finland. Boreal's plant breeding operations play a significant part in securing food production under emergency conditions.

Cinia Oy

Cinia Oy is a diversified telecommunication and IT company providing network, software and cloud services. Cinia serves as a telecom operator delivering expert and communications services as well as development services for telecom-intensive systems and software.

CINIA OY

State shareholding

77,5 %

Ownership steering

Ministry of Transport and Communications

Strategic interest of ownership

Promoting high-capacity telecommunications for the benefit of society

Board of Directors 31 December 2018

Esko Aho (Chair), Karri Alameri, Heidi Koskinen, Hanna Maria Sievinen, Janne Yli-Äyhö

Chief Executive Officer

Ari-Jussi Knaapila

Key financial indicators		2018	2017
Net sales	EURM	45,7	40,6
Operating income	EURM	2,2	1,8
Operating margin	%	4,8	4,4
Total assets	EURM	109,1	108,4
Equity ratio	%	38,8	38,3
Gearing	%	71,5	72,7
Return on equity	%	2,6	1,0
Return on investment	%	2,8	1,9
Total dividends paid	EURM	0,5	0,1
Dividends received by the State	EURM	0,4	0,1
Investments	EURM	6,6	6,9
Personnel, total, 31 Dec		272	231
Personnel, Finland, 31 Dec		272	231
Gender composition of the management team	w/m	2/5	1/6
Gender composition of the Board of Directors	w/m	2/3	2/3
Total tax footprint	EURM	15,3	13,5
Tax footprint in Finland	EURM	15,3	13,5

Business operations in 2018

Cinia Oy is a state majority-owned limited liability company in respect of which ownership steering is exercised by the Ministry of Transport and Communications. In addition to Cinia, the Group also includes C-Lion1 Oy (99.9%), Cinia Cloud GmbH (100%) and Netplaza Oy owned directly by the parent company.

In 2018, Cinia Oy acquired the entire share capital of Netplaza Oy. Through this purchase, Cinia Oy seeks to win more corporate customers and increase its presence in public network services and among operator customers.

Leijonaverkot Oy, a subsidiary of State Security Networks Ltd, and Cinia Oy signed a deal on the sale of the Lion cloud business which took effect in December 2018. The purpose of the contract is to boost the development of the Lioncloud service and platform.

The international communications business is growing and sales developed as expected. During the reporting period, Cinia expanded its international network, created new optional routes and continued to construct the branch of the C-Lion1 sea cable off Hanko. The second cable to be laid to Finland secures the connection and shortens the route from Europe to western Finland and other Nordic countries.

The company's 2018 net sales totalled EUR 45.7 (40.6) million with the operating income reaching EUR 2.2 (1.8) million. The Group's total net sales increased by approximately EUR 5 million (+12.4%) relative to 2017.

Corporate social responsibility and sustainability

Cinia's objective is to incorporate CRS into its day-to-day business in terms of leadership, development and client solutions. The company finds that it is important to act in an environmentally sustainable way and monitors its own energy consumption and materials efficiency on an ongoing basis.

Finavia Corporation

The company maintains and develops the Helsinki-Vantaa Airport and an airport network covering the entire country. The Group is engaged in two business areas: the Helsinki-Vantaa Airport and the airport network.

FINAVIA CORPORATION

State shareholding

100 %

Ownership steering

Prime Minister's Office

Strategic interest of ownership

Preparations to determine the strategic interest are in progress

Board of Directors 20 March 2019

Harri Sailas (Chair), Annaleena Kiikonen, Nina Kiviranta, Tuija Pesonen, Esko Pyykkönen, Erkka Valkila and Stefan Wentjärvi

Chief Executive Officer

Kimmo Mäki

Key financial indicators		2018	2017
Net sales	EURM	377,3	373,6
Operating income	EURM	66,8	54,4
Operating margin	%	17,7	14,6
Total assets	EURM	1 133,3	1 074,5
Equity ratio	%	58,7	58,4
Gearing	%	45,3	47,2
Return on equity	%	7,0	6,2
Return on investment	%	6,5	6,1
Total dividends paid	EURM	11,1	8
Dividends received by the State	EURM	11,1	8
Investments	EURM	239,5	181,8
Personnel, total, 31 Dec		2 852	2 696
Personnel, Finland, 31 Dec		2 852	2 696
Gender composition of the management team	w/m	2/7	2/8
Gender composition of the Board of Directors	w/m	3/4	3/4
Total tax footprint	EURM	81,1	77,0
Tax footprint in Finland	EURM	81,1	77,0

All-time high passenger volumes

Finavia's profitable growth continued in 2018. Close to 25 (22.7) million passengers passed through the airports operated by the company. The number of international passengers grew by

10.7 per cent to 19.1 (17.2) million. The number of passengers at the Helsinki-Vantaa Airport reached a new record of 20.8 (18.9) million, up 10.7 per cent on 2017.

The total number of passengers at Finavia's other airports was 4.1 million, 8.7 per cent more than in the previous year.

Finavia Group's net sales grew by 1.0 per cent despite the earlier incorporation of the air navigation business and the conversion of LAK Real Estate Oy into an affiliated company. Comparable net sales increased by 9.7 per cent due to an increased traffic volume. The operating income reached EUR 66.8 (54.4) million equivalent to 17.7 (5.2) per cent of net sales..

Updated strategy

Finavia updated its strategy in spring 2018. Its vision is to provide people in Finland with the best international connections available in northern Europe and to improve access to Finland as a travel destination. Finavia's over one billion euro development programme enables the company to respond to international competition and the growth in passenger numbers.

In implementing its strategy over the next few years, Finavia will focus on bringing its investment programmes to a successful completion, developing the customer experience and enabling continued responsible growth. Responsible action and safety are central to the implementation of Finavia's strategy. The Helsinki-Vantaa Airport has been carbon neutral since August 2017, and the objective is to make all Finavia airports so during 2019.

Fingrid Oyj

Fingrid's main strategic objectives are to secure a reliable supply of electricity and effective markets for society as well as to provide affordable services responsive to the needs of the customers. In 2018, the transmission capacity of the grid was in effective use and transmission reliability remained at an excellent level.

FINGRID OYJ

State shareholding

53.1% (Ministry of Finance 28.2%, National Emergency Supply Agency 24.9%)

Ownership steering

Ministry of Finance

Strategic interest of ownership

To secure the availability and trouble-free operation of power transmission and the electricity system under all conditions

Board of Directors 1 January 2019

Juhani Järvi (Chair), Päivi Nerg, Anu Hämäläinen, Esko Torsti, Sanna Syri

Chief Executive Officer

Jukka Ruusunen

Key financial indicators		2018	2017
Net sales	EURM	852,8	672,0
Operating income	EURM	241,6	184,8
Operating margin	%	28,3	27,5
Total assets	EURM	2 109,9	2 113,3
Equity ratio	%	36,6	37,8
Gearing	%	126,1	125,2
Return on equity	%	23,3	16,7
Return on investment	%	13,2	10,0
Total dividends paid (maximum *)	EURM	171,4*	173,5
Dividends received by the State	EURM	63,5*	64,3
Investments	EURM	95,4	107,4
Personnel, total, 31 Dec		380	355
Personnel, Finland, 31 Dec		380	355
Gender composition of the	w/m	3/6	3/6
Gender composition of the	w/m	2/3	2/3
Total tax footprint	EURM	125,9	93
Tax footprint in Finland	EURM	125,9	93

Overview of developments in 2018

From the standpoint of society, customers, finances and owners, internal processes and personnel, the year 2018 was very good for the company both operationally and financially.

Transmission reliability was 99.9 per cent and adequacy of system reserves 99.7 per cent. The average duration of suspensions at access points due to disruptions in Fingrid's grid was 12.0 minutes. One major disruption took place during the year in the form of a fire at a substation in Olkiluoto.

Among European companies with an equivalent infrastructure, Fingrid's pricing was the fourth lowest. Customer satisfaction was rated at 4.1 (on a scale of 1-5), and the landowners' feedback on the operations was good at 3.8. At the annual CHARGE 2018 brand competition, Fingrid was selected the world's number one grid company brand.

The reliability of DC supply lines, which is of great importance to the electricity market and the price of electricity in Finland, remained at a satisfactory level. Several investment decisions were made during the year related to the maintenance and development of the grid. Fingrid's investments play a key role in enabling a transition towards a clean power system. Safety performance was excellent with an injury frequency rate of 3.2. Once again, Fingrid did very well in The International Transmission Operations & Maintenance Study (ITOMS) receiving Top Performer scores in both substation and power line maintenance.

Corporate social responsibility and sustainability are key company values that are reflected in all its operations. CSR issues are managed as an integrated part of Fingrid's management system. The company expects its partners to follow sustainable business practices in compliance with the UN Global Compact.

The score in the job satisfaction survey was excellent and absence due to illness very low

Gasum Corporation

Gasum Corporation imports natural gas to Finland, produces biogas in Finland and Sweden and distributes LNG in Finland, Sweden and Norway. The company supplies energy for the power and heat generation for industry, land transport and shipping.

GASUM CORPORATION

State shareholding

100% (Prime Minister's Office 26.5%, Gasonia 73.5%)

Ownership steering

Prime Minister's Office

Strategic interest of ownership

To ensure the operation of the gas transmission and supply system under all circumstances

Board of Directors 18 March 2019

Juha Rantanen (Chair), Elisabet Salander Björklund, Stein Dale, Elina Engman, Torbjörn Holmström, Päivi Pesola and Jarmo Väisänen

Chief Executive Officer

Johanna Lamminen

Key financial indicators		2018	2017
Net sales	EURM	1 177	925
Operating income	EURM	124,2	114,2
Operating margin	%	10,5	12,3
Total assets	EURM	1 526,6	1 421,2
Equity ratio	%	43,7	41,6
Gearing	%	84,7	99,2
Return on equity	%	13,7	14,7
Return on investment	%	10,6	10,6
Total dividends paid	EURM	32,9	32,9
Dividends received by the State*	EURM	32,9	32,9
Investments	EURM	31	23
Personnel, total, 31 Dec		434	409
Personnel, Finland, 31 Dec		317	288
Gender composition of the management team	w/m	3/4	3/5
Gender composition of the Board of Directors	w/m	3/4	3/4
Total tax footprint	EURM	254,3	207,6
Tax footprint in Finland	EURM	246,8	203,3

* PMO EUR 8.7m, Gasonia Ltd EUR 24.2m

Favourable market developments

The year 2018 was successful for Gasum. The Group's net sales increased considerably, especially in the Natural Gas and LNG business units. Sales of natural gas picked up and net sales were boosted by increasing prices. LNG sales grew as a result of soaring prices and improved competitiveness. Similarly, net sales by the biogas business increased, albeit slightly. While the company's operating income improved 9 per cent, relative profitability suffered a little. Gasum announced the construction of a network of 50 filling stations in Finland, Sweden and Norway to serve heavy-duty vehicles, a scheme that supports the company's strategic goal of providing clean alternative motor fuels.

During the reporting period, the company completed two acquisitions important in terms of strategy implementation and the future of the company. In October 2018, Gasum increased its interest in Skangas from 70 to 100 percent in order to underpin the Nordic gas market and LNG infrastructure. In August 2018, Gasum bought Enegia's energy market services business. As a result, Gasum was able to expand its services in the wholesale energy market.

Climate goals to support business

Objectives related to the climate and circular economy support Gasum's business operations underlining the role of biogas as a low-emission fuel. Strategically, the company is well positioned as a gas company of the future. Another important part of business was safety, an area in which the company put in a good performance during the year.

The new Natural Gas Market Act entered into force at the beginning of 2018. Preparations for a transition to an open gas market continued through actions such as the integration of the Balticconnector pipeline into the Gasum Group. Gasum's transmission business will be established as an independent company as of 1 January 2020 as required by the Natural Gas Market Act.

Kemijoki Oy

Kemijoki Oy generates about one third of Finland's hydroelectric power, which will secure the country's energy supply in the era of renewable energy. The electricity produced by the company is sold at cost to its shareholders, and the company does not seek profit.

KEMIJOIKI OY

State shareholding

50,1 %

Ownership steering

Prime Minister's Office

Strategic interest of ownership

No strategic interest

Board of Directors 10 April 2019

Tiina Tuomela (Chair), Risto Andsten, Elina Engman, Tapio Jalonen, Markus Katara, Tapio Korpeinen, Pekka Manninen

Chief Executive Officer

Tuomas Timonen

Key financial indicators		2018	2017
Net sales	EURM	47,9	42,4
Operating income	EURM	-1,6	-6,4
Operating margin	%	-3,3	-15,1
Total assets	EURM	477,6	480,3
Equity ratio	%	10,8	12,2
Gearing	%	809,7	698,5
Return on equity	%	1,5	1,2
Return on investment	%	-0,3	-1,4
Total dividends paid	EURM	0,8	0,8
Dividends received by the State	EURM	0,4	0,4
Investments	EURM	17,7	22,1
Personnel, total, 31 Dec		35	36
Personnel, Finland, 31 Dec		35	36
Gender composition of the management team	w/m	1/6	1/6
Gender composition of the Board of Directors	w/m	2/5	2/5
Total tax footprint	EURM	27,4	26,4
Tax footprint in Finland	EURM	27,4	26,4

Cost-efficiency at target level

In 2018, total availability of the power stations remained at 97.5 per cent, an excellent achievement. During the year, Kemijoki stations generated 4501 (4891) GWh of electricity, which accounted for 34 per cent of all the hydropower produced in Finland. The volume of production was average. At the end of the year, the water reserves stood at 59 per cent, clearly below average levels.

As Kemijoki Oy generates electricity at cost for its shareholders, its key priority is cost-efficiency. The biggest single cost item is real estate tax. Costs developed according to plan during the reporting period.

Kemijoki Oy proceeded with the renovations of power stations and environmental investments as planned. Detailed design and planning of the Sierilä hydroelectric power stations continued during the reporting period.

Hydropower plays a key role in mitigating climate change.

Hydropower is Finland's most important source of renewable electricity as it reduces the need for fossil fuels and so mitigates climate change. Aside from its positive effects, hydropower also has adverse environmental impacts arising from the construction of new power stations, the load-following operation of the existing stations and water level regulation. A total of EUR 4.1 million was used in 2018 for environmental management to mitigate these adverse impacts. Of this, the fishery management obligations accounted for EUR 2.7 million.

Leijona Catering Oy

Leijona Catering Oy is a Finnish catering company with 55 sites that prepares over 70,000 meals each day. Leijona Catering focuses on its strategic partnership with the Finnish Defence Forces and security-critical locations specifically designated by the state administration.

LEIJONA CATERING OY

State shareholding

100 %

Ownership steering

Prime Minister's Office

Strategic interest of ownership

To secure the operations of the Defence Forces by providing essential nutrition services under all conditions

Board of Directors 27 March 2019

Riitta Laitasalo (Chair), Sinikka Mustakari, Teemu Penttilä, Timo Rotonen, Katri Westerberg and Anton Westermarck

Chief Executive Officer

Ritva Paavonsalo

Key financial indicators		2018	2017
Net sales	EURM	70,0	71,0
Operating income	EURM	4,8	2,8
Operating margin	%	6,9	3,9
Total assets	EURM	25,9	26,2
Equity ratio	%	66,4	70,5
Gearing	%	-76,7	-64,1
Return on equity	%	21,3	11,0
Return on investment	%	27,0	14,1
Total dividends paid	EURM	4	5
Dividends received by the State	EURM	4	5
Investments	EURM	0,8	2,2
Personnel, total, 31 Dec		437	442
Personnel, Finland, 31 Dec		437	442
Gender composition of the management team	w/m	2/2	3/2
Gender composition of the Board of Directors	w/m	3/3	3/3
Total tax footprint	EURM	8,5	7,7
Tax footprint in Finland	EURM	8,5	7,7

Continued profitable growth

Leijona Catering provides the Defence Forces with catering services in all readiness conditions. The current agreement with the Defence Forces is valid up to 31 December 2027, possibly longer. The strategic partnership is based on close co-operation. Another strategic partnering agreement was signed with the Criminal Sanctions Agency, under which the company will assume responsibility for the catering services of all Finnish prisons.

Leijona Catering's business continued to be profitable in 2018. The company pursued its long-term efforts to improve customer orientation and operational efficiency as well as to promote skills development.

The net sales of Leijona Catering in 2018 were almost at the previous year's level and the operating income increased substantially to EUR 4.8 (2.8) million. Investments totalled EUR 0.8 (2.2) million.

Sustainable ways of working in focus

In 2018, the company made progress particularly in three areas – corporate social responsibility and sustainability, partnering and human resources development. Corporate social responsibility is one of Leijona Catering's values and an integral part of its business strategy and management. The main themes in 2018 were the reduction of wastage, biowaste and energy consumption and sustainability in raw material sourcing. The company is party to the sustainable development compact.

The company's environmental performance and quality management systems were re-assessed in 2018 according to the ISO 14001 and ISO 9001 standards.

In 2018, the company's HR development efforts focused on improving food supply performance under emergency conditions.

Vuonna 2018 yhtiö panosti henkilöstön osaamisen kehittämisessä erityisesti poikkeusolojen ruoka-huollon osaamisen lisäämiseen.

Motiva Oy

Motiva Oy is a state-owned specialist in sustainable development offering its stakeholders information, solutions and services designed to promote sustainable development.

MOTIVA OY

State shareholding

100 %

Ownership steering

Prime Minister's Office

Strategic interest of ownership

To ensure impartial expert services for promoting energy efficiency, renewable energy and resource efficiency.

Board of Directors 29 March 2019

Anja Kahri (Chair), Petteri Kuuva, Jukka Ohtola, Timo Tähtinen, Eeva Vakkilainen

Chief Executive Officer

Hille Hyytiä

Key financial indicators		2018	2017
Net sales	EURM	7,2	6,2
Operating income	EURM	0,2	0,1
Operating margin	%	3,2	1,1
Total assets	EURM	4,6	3,8
Equity ratio	%	50,2	57,7
Gearing	%	-90,8	-86,8
Return on equity	%	10,5	3,5
Return on investment	%	12,1	3,8
Total dividends paid	EURM	0,1	0,1
Dividends received by the State	EURM	0,1	0,1
Investments	EURM	0,2	0,0
Personnel, total, 31 Dec		61	59
Personnel, Finland, 31 Dec		61	59
Gender composition of the management team	w/m	7/0	7/0
Gender composition of the Board of Directors	w/m	2/3	2/3
Total tax footprint	EURM	2,1	1,9
Tax footprint in Finland	EURM	2,1	1,9

New projects increased sales

In 2018, Motiva's net sales rose by 16.3 per cent, mainly due to the launch of two major projects during the year. One was to promote experimental culture funded by the Prime Minister's Office. Additionally, the Ministry of Economic Affairs and Employment appointed Motiva as the coordinator for the Keino project, a new networked competence centre for sustainable and innovative public procurement.

While the Group's profitability improved in 2018, its business continued to generate low margins. The consolidated operating income increased to EUR 0.2 million. Motiva's solvency and liquidity remained sound.

A partial demerger took place within the Group during the financial year. Motiva Services Oy, a subsidiary providing B2B services primarily to companies and municipalities, transferred the management and staff of the Swan Label and the EU Ecolabel to Ympäristömerkitä Suomi Oy, a Motiva-owned company.

Specialist in sustainable change

Motiva Oy is a state-owned sustainable development company that offers its services to government agencies through its parent company and to companies, municipalities and regions through its subsidiaries operating at commercial terms.

The company supports the State's strategies and objectives for the mitigation of climate change and the promotion of sustainable development. Energy and material efficiency are key ways to curb climate change in the national economy, businesses and households. Motiva plays a key role in improving society's resource efficiency and, consequently, the competitiveness of companies.

Nordic Morning Plc

Nordic Morning Group's three business areas are Nordic Morning, Edita Prima and Edita Publishing. Nordic Morning operates one company in Finland and several companies in Sweden. Edita Prima and Edita Publishing are based in Finland.

NORDIC MORNING PLC

State shareholding

100 % (Vake Ltd 100%)

Ownership steering

Prime Minister's Office

Strategic interest of ownership

No strategic interest

Board of Directors 18 March 2019

Per Sjödel (Chair), Mervi Airaksinen, Ingrid Jonasson Blank, Pekka Hurtola, Anne Korkiakoski, Jukka Ruuska

Chief Executive Officer

Anne Årneby

Key financial indicators		2018	2017
Net sales	EURM	76,4	93,4
Operating income	EURM	0,9	5,9
Operating margin	%	1,2	6,3
Total assets	EURM	51,2	48,6
Equity ratio	%	40,2	46,8
Gearing	%	64,8	12,1
Return on equity	%	1	22,5
Return on investment	%	3,1	23,4
Total dividends paid*	EURM	2	2
Dividends received by the State	EURM	0	0
Investments	EURM	0,7	2,4
Personnel, total, 31 Dec		472	548
Personnel, Finland, 31 Dec		257	258
Gender composition of the management team	w/m	n/a	n/a
Gender composition of the Board of Directors	w/m	3/3	3/3
Total tax footprint	EURM	22,9	25,8
Tax footprint in Finland	EURM	8,5	8,8

* Dividends paid to State Business Development Company Vake Oy

Group structure streamlined

Operationally, Nordic Morning's new structure is divided into three lines of business, of which Nordic Morning includes the following companies: Nordic Morning Finland, Nordic Morning Sweden and Mods Graphic Studio. Nordic Morning creates digital business solutions and provides data-based marketing and services. The goal is to generate growth and customer loyalty for corporate customers.

Edita Prima provides personalised printing services to generate automated customer communication and sales support material. Edita Publishing develops intelligent learning methods and information services using digital means and content in a new way.

Financial result

Nordic Morning Group's net sales decreased in 2018 to EUR 76.4 (93.4) million. Sales in Finland amounted to EUR 42.8 (45.0) million. Sales by Edita Publishing fell due to reduced advertising revenues. In Sweden, net sales decreased to EUR 32.9 (42.3) million even though Mods Graphic Studio's revenues increased substantially. Swedish sales were adversely affected by the closure of loss-making operations in 2017.

The Group's reported operating income fell considerably to EUR 0.9 (5.9) million. Profit before extraordinary items decreased in all business areas due to the fall in sales.

However, despite the challenging year, the balance sheet position remained relatively strong with an equity ratio of 40.2 per cent.

Patria Plc

Patria is an international provider of defence, security and aviation life-cycle support services and technology solutions. The company's products include flight training; intelligence, control and management systems; wheeled armoured vehicles; and mortar systems.

PATRIA PLC

State shareholding

50,1 %

Ownership steering

Prime Minister's Office

Strategic interest of ownership

To secure the operation of the Defence Forces by producing essential military hardware and services under all conditions

Board of Directors 27 March 2019

Esa Rautalinko (Chair), Harald Aarø, Eirik Lie, Päivi Marttila, Jarle Næss, Ari Puheloinen, Gyrid Skalleberg Ingerø, Petri Vihervuori

Chief Executive Officer (acting)

Ville Jaakonsalo

Key financial indicators		2018	2017
Net sales	EURM	476,1	467,7
Operating income	EURM	35,9	33,9
Operating margin	%	7,5	7,2
Total assets	EURM	501,7	486,3
Equity ratio	%	54,4	54,0
Gearing	%	26,8	27,6
Return on equity	%	12,9	11,2
Return on investment	%	12,2	11,9
Total dividends paid	EURM	13,9	16,7
Dividends received by the State	EURM	7,0	8,3
Investments	EURM	7,3	15,1
Personnel, total, 31 Dec		2 816	2 762
Personnel, Finland, 31 Dec		2 644	2 605
Gender composition of the management team	w/m	3/6	3/6
Gender composition of the Board of Directors	w/m	2/6	2/6
Total tax footprint	EURM	84,6	78,3
Tax footprint in Finland	EURM	74,0	73,0

Financial performance improved relative to reference period

Patria Group's new orders in the financial year 2018 amounted to EUR 474.1 (309.5) million. Consolidated net sales increased by 1.8 per cent relative to 2017 and operating income to 7.5 per cent. The Group's R&D expenditure for the financial year was EUR 9.1 (9.4) million, representing 1.9 (2.0) per cent of net sales.

As far as the international market is concerned, Patria's objective is to increase its range of maintenance and lifecycle services for the various defence sectors and expand the systems and integration business.

Significant events during the financial year

At the beginning of the year, Patria signed an agreement on the refurbishment and mid-life upgrade of the Hamina-class fast attack missile craft to a total value of some EUR 170 million.

In December, Kongsberg Defence & Aerospace (KDA) made an agreement with the Norwegian Ministry of Defence on the acquisition of Aerospace Industrial Maintenance Norway AS (AIM Norway). The company offers lifecycle services for the Norwegian Air Force. An agreement was made to split ownership of AIM Norway with KDA holding 10.5 and Patria 49.9 per cent.

Major domestic projects under way

The Finnish Defence Forces is preparing record-large projects (HX interceptor project, Navy 2020) involvement in which is an extremely important opportunity for Patria in terms of industrial cooperation.

During the reporting period, the company carried out an internal audit of its international operations focusing on sales, marketing and the selection of the business partner. No aspects of operations requiring further corrective action were identified by the external auditor. Patria continued to develop its ethics training.

Posti Group Corporation

Posti Group Corporation is Finland's leading delivery and logistics company whose core operations include postal services, parcel deliveries, freight and logistics. The company operates Finland's most extensive network of service outlets.

POSTI GROUP CORPORATION

State shareholding

100% (Prime Minister's Office 50.1%; Vake Oy 49.9%)

Ownership steering

Prime Minister's Office

Strategic interest of ownership

To provide postal services throughout Finland

Board of Directors 25 March 2019

Markku Pohjola (Chair), Eero Hautaniemi, Anna Martinkari, Frank Marthaler, Pertti Miettinen, Minna Pajumaa, Suvi-Anne Siimes, Per Sjödel, Arja Talma

Chief Executive Officer

Heikki Malinen

Key financial indicators		2018	2017
Net sales	EURM	1 610	1 647
Operating income	EURM	5,7	-27,5
Operating margin	%	0,4	-1,7
Total assets	EURM	1 005	1 093
Equity ratio	%	45,3	46,2
Gearing	%	-7,1	-8,8
Return on equity	%	0,1	-8,0
Return on investment	%	2,3	-3,5
Total dividends paid	EURM	28	40
Dividends received by the State	EURM	14	40
Investments	EURM	63	77
Personnel, total, 31 Dec		15 939	16 932
Personnel, Finland, 31 Dec		13 224	13 592
Gender composition of the management team	w/m	3/7	3/7
Gender composition of the Board of Directors	w/m	4/5	4/4
Total tax footprint	EURM	293,5	312,7
Tax footprint in Finland	EURM	256,0	267,8

Operational profitability unchanged

Net sales by Posti Group fell by 2.2 percent during 2018. The Group's reported operating income improved reaching EUR 5.7 (-27.5) million.

As in the previous year, it continued to be depressed by write-downs

of EUR 31.6 million of which EUR 30 million were related to OpusCapita. Posti's adjusted operating income increased to EUR 44.8 (42.4) million, equivalent to 2.8 per cent of net sales.

The Group's cash flow from operating activities declined in 2018 to EUR 79.8 (96.0) million. In 2018, Posti paid EUR 27 million in regular dividends and EUR 13 million in extraordinary dividends, or a total of EUR 40 (60) million, out of its operating income for 2017. The consolidated balance sheet remained strong with gearing at -7.1 (-8.8) per cent.

Consignments covered by the universal service obligation accounted for 4.6 (5.5) per cent of all the dispatches handled by Posti Group. Operations covered by the universal service obligation accounted for EUR 135.0 (136.7) million or 8.4 (8.3) of the consolidated net sales.

New focus

Changes in Posti Group's operating environment continued. The fast-paced digitalisation of society and changes in customers' consumption patterns are posing challenges to Posti Group. The fall in the volume of letters continued. While parcel volumes increased, stiff competition made the operating environment challenging.

During 2018, Posti Group invested in e-commerce delivery services and logistics, both growing business areas. In summer 2018, Posti Group commissioned one of Finland's largest freight terminals in Vantaa. In September, the company signed an agreement on the acquisition of Transval, an internal logistics company. The deal was confirmed in January 2019.

In March 2019, Posti Group announced the sale of OpusCapital to Providence Equity. The transaction is consistent with Posti's strategy to focus on mail services, parcel and online sales as well as logistics solutions.

Suomen Lauttaliikenne Oy

Suomen Lauttaliikenne Oy is responsible for both cable and other ferry services along a total of 44 routes in different parts of Finland. In 2018, the company transported about 4 million vehicles. The company's largest client is Southwest Finland ELY Centre, which is responsible for putting the routes out to open tender..

SUOMEN LAUTTALIIKENNE OY

State shareholding

100 %

Ownership steering

Prime Minister's Office

Strategic interest of ownership

To secure cable and other ferry services as part of the public road network

Board of Directors 21 March 2019

Juha Heikinheimo (Chair), Pekka Hurtola, Kati Niemelä, Matti Pajula and Kaarina Soikkanen

Chief Executive Officer

Mats Rosin

Key financial indicators		2018	2017
Net sales	EURM	54,6	51,6
Operating income	EURM	8,9	9,3
Operating margin	%	16,3	18,0
Total assets	EURM	63,0	61,7
Equity ratio	%	75,1	75,4
Gearing	%	-35,4	-32,8
Return on equity	%	15,6	16,8
Return on investment	%	19,5	21,0
Total dividends paid	EURM	7	6
Dividends received by the State	EURM	7	6
Investments	EURM	2,5	6,7
Personnel, total, 31 Dec		357	309
Personnel, Finland, 31 Dec		357	309
Gender composition of the management team	w/m	2/5	2/5
Gender composition of the Board of Directors	w/m	2/5	2/3
Total tax footprint	EURM	21,0	20,5
Tax footprint in Finland	EURM	21,0	20,5

Steady financial performance continued

As in the previous years, the company's business was stable and profitable. Net sales increased and the operating income was around EUR 9 million close to that of 2017.

Throughout the company's history, the order backlog has always been strong and so the business has been very profitable and steady. However, as the company's contract portfolio fell to an all-time low, new service concepts and improved in-house efficiency will be of growing importance. Additionally, the decisions to build more bridges will be reflected in company profits over the next few years. Intensifying competition will be one of the company's main challenges. In April 2018, Suomen Saaristovarustamo, a subsidiary, acquired 50 per cent of the share capital of Ansgar Ab of Åland to make up for the shrinking business, as foreseen in the corporate strategy.

At present, the organisation responsible for competitive bidding is Southwest Finland ELY Centre, but major changes may be expected in the route tendering process. Conceivably, a greater emphasis may be placed on environmental considerations in future bidding.

Active measures to develop operations

The investments in environmental sustainability and responsible fleet upgrades assumed a more concrete form in 2018 when the company introduced Finland's first electric coil ferry due to be placed in daily service in 2019. A major achievement in 2018 was Falco, the world's first fully autonomous ferry developed in collaboration with Rolls-Royce, that was successfully tested on 3 December 2018. Of even greater environmental importance was the hybrid ferry Elektra that completed its first full year of operation with great success. Elektra has received great international acclaim and received a number of awards.

Mint of Finland Ltd

Mint of Finland manufactures circulation and commemorative coins as well as coin blanks. The bulk of production is exported. The main market areas include Europe, Asia, Africa and Latin America. The company is one of the world's leading coin exporters. The customers include the central banks of various countries and mints across the world.

MINT OF FINLAND LTD

State shareholding

100 %

Ownership steering

Prime Minister's Office

Strategic interest of ownership

No strategic interest

Board of Directors 28 March 2019

Kaisa Vikkula (Chair), Pekka Leskinen, Päivi Nerg, Petri Vihervuori, Ari Viinikkala

Chief Executive Officer

Jonne Hankimaa

Key financial indicators		2018	2017
Net sales	EURM	71,5	85,0
Operating income	EURM	1,7	-1,8
Operating margin	%	2,4	-2,1
Total assets	EURM	58,1	59,4
Equity ratio	%	47,4	44,3
Gearing	%	62,5	86,5
Return on equity	%	4,6	-8,0
Return on investment	%	3,8	-3,4
Total dividends paid	EURM	0,0	0,0
Dividends received by the State	EURM	0,0	0,0
Investments	EURM	1,1	1,2
Personnel, total, 31 Dec		160	174
Personnel, Finland, 31 Dec		56	62
Gender composition of the management team	w/m	3/3	3/3
Gender composition of the Board of Directors	w/m	2/3	2/3
Total tax footprint	EURM	-0,3	-2,0
Tax footprint in Finland	EURM	0,4	-1,7

Positive reversal in profits

Net sales by the Mint of Finland Group fell relative to 2017 to EUR 71.5 million. However, profits improved as customer projects could be completed more profitably, efficiency in production improved and fixed costs were successfully reduced. The change was reflected in operating income that reached EUR 1.7 million. The financial result includes depreciation on goodwill to a total value of EUR 1.9 million. At the end of the financial year, group goodwill stood at EUR 4.0 million. The consolidated financial statements showed a profit of EUR 1.2 million.

As a result of sound financial performance, the equity ratio improved to a satisfactory 47 per cent. Investments totalled EUR 1.1 million. The company will continue to pursue its modernisation programme designed to improve operating income.

Operating environment

Competition is fierce in this segment, which has a negative impact on margins. New players such as China are entering the blanks business particularly in the international market, which will intensify competition further. While there is overcapacity in the blanks market, peaks in demand still create bottlenecks.

The cyclical nature of the circulation coin business is reflected in fluctuations in capacity utilisation rates, which, in turn, is due to the purchasing cycles of central banks. Global overcapacity and the specific circumstances of the players make the business challenging. At the same time, the range of means of payments is growing all the time. For the time being, cash continues to have its uses in small transactions.

Mint of Finland Ltd sets great store by corporate social responsibility and sustainability in its global business environment. The company has in place a Business Code of Conduct. Sustainability requirements for partners are specified in the Business Partner Code of Conduct.

Finnish Seed Potato Centre Ltd

The Finnish Seed Potato Centre Ltd is a Finnish seed potato enterprise whose field of activity comprises the cleaning and maintenance of seed material as well as the production, packaging and marketing of basic and certified potato varieties.

FINNISH SEED POTATO CENTRE LTD

State shareholding

22 %

Ownership steering

Prime Minister's Office

Strategic interest of ownership

To promote plant health and maintain emergency stocks by providing healthy seed potato material suitable for Finnish conditions.

Board of Directors 31 October 2018

Kauko Matinlauri (Chair), Markus Jussila, Antti Lavonen, Pentti Lähteenoja, Ossi Paakki, Jyrki Siira

Chief Executive Officer

Paula Ilola

Key financial indicators		2018	2017
Net sales	EURM	3,3	3,2
Operating income	EURM	-0,1	-0,0
Operating margin	%	-1,9 %	-1,1 %
Total assets	EURM	3,5	3,4
Equity ratio	%	58,4	62,2
Gearing	%	52,2	52,1
Return on equity	%	-4,1	-2,6
Return on investment	%	-1,8	-1,0
Total dividends paid	EURM	0,0	0,0
Dividends received by the State	EURM	0,0	0,0
Investments	EURM	0,0	0,1
Personnel, total, 31 Dec		14	14
Personnel, Finland, 31 Dec		14	14
Gender composition of the management team	w/m	4/3	4/3
Gender composition of the Board of Directors	w/m	0/6	0/6
Total tax footprint			
Tax footprint in Finland			

Challenges to profitability continued

Seed Potato Centre's main production sites cover the municipalities of Tyrnävä and Liminka. They are located in the High-Grade quality zone for seed potatoes recognised by the European Union. Additionally, the company engages select contract farms throughout Finland to grow the varieties.

During the reporting period, the company had a total of 23 potato varieties for domestic use and 10 varieties in greenhouses for export. In field cultivation, the demand was greatest for the Jussi, Jazzy and Rosamunda varieties.

From 1 August 2017 to 31 July 2018, Seed Potato Centre's net sales increased by 5 percent on the previous year reaching EUR 3.3 million. Despite the growth of sales, operating income remained negative because the cost of materials and other business expenditure outstripped sales.

The company's outlook is relatively steady, but margins remain small because of stiff competition. Annual earnings are entirely dependent on the potato growing season and market developments.

During the reporting period, the company continued to develop the aeroponic growing method for seed potatoes. The method makes it possible to shorten the time to market of new, promising potato varieties in Finland, which should reduce dependency on foreign registered seeds.

Through its sustainable business model, Seed Potato Centre seeks to maintain emergency stocks of seed potatoes and promote plant health

Suomen Viljava Oy

Suomen Viljava Oy is Finland's largest company specialising in the handling and storage of cereals and agribulk raw materials. It provides storage and handling services for companies operating in Finland and engaged in the export, import and transit business.

SUOMEN VILJAVA OY

State shareholding

100 %

Ownership steering

Prime Minister's Office

Strategic interest of ownership

To ensure the functioning of the cereal storage and handling market in a manner that is neutral in terms of competition and to secure disruption-free fulfilment of tasks related to the maintenance of emergency stocks of materials in the food supply chain and the EU intervention operations.

Board of Directors 25 March 2019

Petri Alava (Chair), Anne Ilola, Esko Pyykkönen, Tomi Tanninen Tanja Viljanen

Chief Executive Officer

Pasi Lähdetie

Key financial indicators		2018	2017
Net sales	EURM	17,4	16,7
Operating income	EURM	4,2	4,4
Operating margin	%	24,2	26,5
Total assets	EURM	27,3	27,2
Equity ratio	%	74,8	74,2
Gearing	%	24,9	23,1
Return on equity	%	17,4	18,4
Return on investment	%	16,7	18,6
Total dividends paid	EURM	3,7	3,3
Dividends received by the State	EURM	3,7	3,3
Investments	EURM	3,4	7,6
Personnel, total, 31 Dec		60	62
Personnel, Finland, 31 Dec		60	62
Gender composition of the management team	w/m	1/2	1/2
Gender composition of the Board of Directors	w/m	2/3	2/3
Total tax footprint	EURM	5,1	4,4
Tax footprint in Finland	EURM	5,1	4,4

One hundred years of operations

The company's history in handling and storing cereals dates back to 1918 when the State Cereal Agency was established. The present-day Suomen Viljava Oy founded in 2002 can be regarded as being built on this legacy created one hundred years ago. Before its centennial, Suomen Viljava completed an extensive investment programme designed to respond to customer expectations and changes in the marketplace while at the same time improving capabilities to manage emergency conditions. Most of the investments were made in port operations.

The company's net sales increased by 4.3 per cent relative to 2017. The growth in net sales was supported by positive developments in other business operations. By contrast, operating income fell slightly partly due to the extensive 2017 investment programme, which increased depreciation charges. The company's operating margin was 24.2 per cent and the return on equity over 15 per cent. The balance sheet position remained particularly strong. At the end of the year, Suomen Viljava's equity ratio was 74.8 per cent.

The company's CO₂ emissions decreased by 10 per cent relative to 2017 thanks to the utilisation of side streams. For instance, the use of cereal dust in in-house bioenergy production increased to 70 per cent. All in all, in-house bioenergy production accounted for 43 per cent of total energy consumption.

Growth opportunities

Suomen Viljava's long-term objective is to increase the share of cereal handling and storage by growing the market share. To accomplish this, more efficient use will be made of the existing infrastructure. At the same time, the company will invest heavily in the sale of plant proteins and contract manufacturing. Growth potential also exists in cereal transit operations

Tapio Ltd

Tapio offers solutions for sustainable, responsible and versatile use of forests and natural resources. Tapio operates in four business areas: consultation, commercialised expert services, the media and seeds.

TAPIO LTD

State shareholding

100%

Ownership steering

Prime Minister's Office

Strategic interest of ownership

To ensure the use of high-quality forest seed material suitable for Finnish conditions with due regard to the maintenance of emergency stocks of critical supplies

Board of Directors 28 March 2019

Timo Piekari (Chair), Harri Lauslahti, Tuula-Riitta Markkanen, Timo Virolainen, Leena Westerholm

Chief Executive Officer

Anne Ilola

Key financial indicators		2018	2017
Net sales	EURM	9,9	9,8
Operating income	EURM	0,3	0,7
Operating margin	%	3	7
Total assets	EURM	15,0	15,2
Equity ratio	%	66,8	65,0
Gearing	%	-45,1	-55,6
Return on equity	%	3,3	6,6
Return on investment	%	4,2	7,6
Total dividends paid	EURM	0,2	0,3
Dividends received by the State	EURM	0,2	0,3
Investments	EURM	0,8	0,1
Personnel, total, 31 Dec		68	57
Personnel, Finland, 31 Dec		68	57
Gender composition of the management team	w/m	3/3	3/3
Gender composition of the Board of Directors	w/m	2/3	3/2
Total tax footprint	EURM	2,2	1,9
Tax footprint in Finland	EURM	2,2	1,9

Structure overhauled

In 2018, Tapio completed two projects important to its strategy and future. In July, the company acquired the consumer business of Karttakeskus, a geospatial information services company. The deal supports Tapio's strategic goal of combining geospatial with forest data and making use of it in digital solutions. Additionally, the company completed the merger of its subsidiaries towards the end of the year, which simplified the corporate structure and will allow more efficient utilisation of synergies in the future. At the same time, the company updated its strategy of providing services directly to end customers as well as intermediaries and identifying new business opportunities.

The company's net sales remained more or less at the same level as in 2017 with more than half of net sales generated by the Media business. Profitability declined partly due to one-off items and the losses made in the seed business. In future, the company will focus on improving efficiency and seeking profitable growth by expanding the customer base and intensifying product and service development efforts. It is important for the company to ensure that product and service development will generate profitable business.

Digitalisation and climate change reshaping the operating environment

One indication of the digitalisation of the forest sector was the launch of the project to digitalise Forest Management Recommendations. It was also reflected in the product and service development process. The recommendations contain the best practices compiled by the company for adapting to climate change in production forests.

Aside from financial responsibility, the company's CSR policy seeks to improve the customer experience and staff wellbeing.

Vapo Oy

Vapo Oy is a leading bioenergy operator in Finland, Sweden and Estonia. The Group also includes Kekkilä-BVB, the European market leader in growth substrates while the Ventures Division develops new business solutions. Currently the company is building its first active carbon factory in Ilomantsi.

VAPO OY

State shareholding

50,1 %

Ownership steering

Prime Minister's Office

Strategic interest of ownership

To ensure the availability of domestic fuels for energy production under all circumstances

Board of Directors 31 December 2018

Jan Lång (Chair), Tuomas Hyryläinen, Juhani Järvelä, Risto Kantola, Minna Pajumaa, Minna Smedsten, Markus Tykkyläinen, Kirsi Puntila

Chief Executive Officer

Vesa Tempakka

Key financial indicators		2018	2017
Net sales	EURM	416,7	392,1
Operating income	EURM	30,9	20,0
Operating margin	%	7,4	5,1
Total assets	EURM	716,5	812,4
Equity ratio	%	49,5	43,0
Gearing	%	76,6	79,4
Return on equity	%	7,2	2,6
Return on investment	%	5,1	3,0
Total dividends paid	EURM	9,0	4,0
Dividends received by the State	EURM	4,5	2,0
Investments	EURM	36,9	39,6
Personnel, total, 31 Dec		737	776
Personnel, Finland, 31 Dec		530	516
Gender composition of the management team	w/m	2/8	2/9
Gender composition of the Board of Directors	w/m	3/5	3/5
Total tax footprint	EURM	33,8	40,5
Tax footprint in Finland	EURM	24,1	28,7

Sharp increase in the sale of energy and growth substrates

Vapo Group's financial performance during the accounting year from 1 May 2017 to 30 April 2018 was satisfactory. Net sales increased for the first time in years. Fuels, heat and electricity sold clearly better than in the reference period. The biggest increase in sales was achieved by Vapo Oy (+9%) and Neova AB (+13%). Sales by Kekkilä Group remained at the same level as in the preceding year.

The range of products and services developed for Vapo's energy customers consists of locally produced fuels and value-added services related to energy production. Kekkilä's business operations expanded substantially during the financial year through the acquisition of the Dutch BVB Substrates.

The latest business innovations in the Ventures Division are Vapo Fibers, a unit focusing on new uses for peat fibre, and Vapo Carbons, a unit aiming for the international market for technical carbons.

Vapo Group's net sales and operating income are expected to increase during the financial year from 1 May 2018 to 30 April 2019 as a result of the acquisition of BVB.

Environmental responsibility

Responsibility for the environment is an important part of Vapo's day-to-day business. The company is pursuing an environmental responsibility programme that is highly ambitious even by international standards. The multi-year development programme for electricity and thermal power plants was continued to reduce oil consumption and improve energy efficiency.

The Group's environmental investments totalled EUR 20.0 (21.1) million. Additionally, the company invested in energy efficiency and a reduction in the use of fossil fuels.

VR-Group Ltd

VR-Group Ltd is a company specialising in transport and logistics. The company operates mainly in Finland and Russia engaging in passenger transports, logistics, maintenance and real estate management.

VR-GROUP LTD

State shareholding

100%

Ownership steering

Prime Minister's Office

Strategic interest of ownership

Ensuring the future of rail transport

Board of Directors 22 March 2019

Kjell Forsén (Chair), Heikki Allonen, Pekka Hurtola, Roberto Lencioni, Sari Pohjonen, Kirsi Sormunen, Maija Strandberg

Chief Executive Officer

Rolf Jansson

Key financial indicators		2018	2017
Net sales	EURM	1 276,6	1 251,5
Operating income	EURM	151,7	110,3
Operating margin	%	11,9	8,8
Total assets	EURM	1 843,9	1 817,8
Equity ratio	%	68,1	67,4
Gearing	%	1,7	5,9
Return on equity	%	9,1	6,1
Return on investment	%	10,8	7,4
Total dividends paid	EURM	100	100
Dividends received by the State	EURM	100	100
Investments	EURM	117	129
Personnel, total, 31 Dec		7 573	7 540
Personnel, Finland, 31 Dec		7 197	7 113
Gender composition of the management team	w/m	1/8	1/8
Gender composition of the Board of Directors	w/m	3/4	3/4
Total tax footprint	EURM	205,7	306,4
Tax footprint in Finland	EURM	198,2	293,5

Train travel continued to enjoy growing popularity

Passenger volumes continued to grow in 2018. Long-distance travel increased by 4.4 per cent and commuting 1.7 per cent. This was due to the company's focus on competitive pricing, increase in the number of services, greater car capacity and the efforts to improve the customer experience. Coach services did less well with the passenger volumes falling by 12.2 per cent. Net sales in passenger traffic improved by 0.9 per cent and operating income by 3.4 per cent. The economic upswing that continued throughout the year raised rail transport volumes by VR Transpoint by 2.7 per cent, which increased net sales by almost 4 per cent.

Consolidated operating income improved substantially mainly due to the proceeds from the sale of real estate property. The operating income was EUR 104 (99) million. The company focused on enhancing efficiency and will continue to do so in anticipation of competitive bidding in rail services. A number of major structural changes took place when the company announced that it will sell its interest in VR-Track and set up the maintenance business as a limited company. The sale of VR-Track was completed in January 2019.

The company continued its sustainability efforts to improve customer satisfaction, safety, environmental performance and the employee experience. An unfortunate event during the year was the environmental accident in Kinni.

Plans for the introduction of competitive bidding defined in more detail

In 2018, the Ministry of Transport and Communications and the company prepared a revised plan for the introduction of competitive bidding in rail services. According to the plan, rail services will be put out to open tender first in commuter traffic in southern Finland in 2022. Competitive bidding for rails services in the Greater Helsinki Area was commenced in 2018.

1.10 Special assignment companies

Air Navigation Services Finland Oy

Air Navigation Services Finland Oy (ANS Finland) is responsible for the management of Finland's airspace including route and air navigation services at airports.

AIR NAVIGATION SERVICES FINLAND OY

State shareholding

100 %

Ownership steering

Ministry of Transport and Communications

Special assignment

To maintain and develop Finland's air route system, provide short-range and approach control services for civil and military aviation as well as offer air navigation services in Finland and abroad.

Board of Directors 31 December 2018

Pertti Korhonen (Chair), Teemu Penttilä, Asta Sihvonon-Punkka

Chief Executive Officer

Raine Luojus

Key financial indicators		2018	2017
Net sales	EURM	81,5	63,9
Operating income	EURM	6,8	9,3
Operating margin	%	8,4	14,5
Total assets	EURM	50,6	38,6
Equity ratio	%	39,2	42,8
Gearing	%	-68,5	-9,1
Return on equity	%	20,5	42,9
Return on investment	%	30,0	44,5
Total dividends paid	EURM	0	0
Dividends received by the State	EURM	0	0
Investments	EURM	2,1	7,9
Personnel, total, 31 Dec		447	456
Personnel, Finland, 31 Dec		447	456
Gender composition of the management team	w/m	0/9	0/9
Gender composition of the Board of Directors	w/m	1/2	1/2
Total tax footprint	EURM	26,2	19,6
Tax footprint in Finland	EURM	26,2	19,6

Business operations in 2018

ANS Finland commenced operations on 1 April 2017 when air navigation services were spun off Finavia Corporation. During 2018, preparations were made to convert it into a subsidiary of Traffic Management Finland Oy, the new state-owned traffic management agency.

ANS Finland's 2018 net sales totalled EUR 81.5 million with the operating income reaching EUR 6.8 million.

The company has been able to maintain high levels of productivity and customer satisfaction. Traffic volumes grew at an annual rate of 10 per cent and a customer satisfaction survey showed that the level of the service provided was excellent. The improved productivity is also reflected in reduced customer fees.

The strategy perfected in consultation with the staff was implemented in stages by intensifying sales efforts in expert and training services. As foreseen in its strategy, ANS Finland seeks to expand its business by developing the existing products and intensifying sales efforts, improving cost efficiency and offering other players new business opportunities.

ANS Finland's quality objective is to ensure that its air traffic control systems or services cause no delays and that safety is maintained at a high level. The company also achieved these goals in 2018.

Responsible action

Due to the nature of ANS Finland's operations, corporate social responsibility is an inherent part of its corporate culture and identity. The company's operations and actions of the staff are concretely governed by the company's ethical code of conduct, strategy, risk management policy, the guidelines issued by the Government and international regulation of the air navigation sector. The company's remuneration policies are consistent with the guidelines for state-owned companies issued by the Government.

A-Kruunu Oy

A-Kruunu Oy is a not-for-profit developer of rental housing. Its construction management operations commenced in 2014. At the end of 2018, the company owned 793 affordable housing units. The objective is to increase housing production to 800 units per year.

A-KRUUNU OY

State shareholding

100 %

Ownership steering

Ministry of the Environment

Special assignment

To construct affordable housing in major population centres

Board of Directors 18 March 2019

Matti Vtilo (Chair), Eero Saastamoinen, Sinikka Mustakari, Teppo Salmikivi, Jaana Parviainen and Ari Eschner

Chief Executive Officer

Jari Mäkimattila

Key financial indicators		2018	2017
Net sales	EURM	4,9	3,6
Operating income	EURM	1,3	0,8
Operating margin	%	26,7	23,5
Total assets	EURM	177,9	128,4
Equity ratio	%	17,4	24,1
Gearing	%	362,6	200,0
Return on equity	%	0,1	0,9
Return on investment	%	1,0	0,9
Total dividends paid	EURM	0	0
Dividends received by the State	EURM	0	0
Investments	EURM	51,1	48,7
Personnel, total, 31 Dec		12	10
Personnel, Finland, 31 Dec		12	10
Gender composition of the management team	w/m	2/3	2/3
Gender composition of the Board of Directors	w/m	1/3	1/3
Total tax footprint	EURM	8,6	5,2
Tax footprint in Finland	EURM	8,6	5,2

Fast growth continued

In 2018, the company's net sales totalled EUR 4.9 (3.6) million and operating income came to EUR 177.8 (128.4) million. During the reporting period, the company launched the construction of 481 (374) new housing units with 296 (215) units completed over the same period.

The company's mission is to build and own state-subsidised rental housing in the Helsinki region at a reasonable cost and rent level. In 2018, A-Kruunu commissioned the construction of 481 rental units with long-term interest subsidies. The total number of equivalent units being built in the Helsinki region amounted to approximately 1,930, which means that A-Kruunu accounted for about 25 per cent of all building starts. A-Kruunu has been engaged in the construction of affordable housing across the Helsinki region, having currently projects in 13 of the region's 14 municipalities either completed, under construction or being planned. The demand for the housing units is intense with an occupancy rate of 99.6 (99.5) per cent.

Parliament passed a resolution to include a EUR 50 million appropriation in the 2019 budget to re-capitalise A-Kruunu Oy. Following the capital injection, the company's housing production target was increased to 800 in 2021 and its operational area extended beyond the Helsinki region to other urban areas. At the same time, a quantitative target was established for wood construction.

The company is actively involved in the efforts to develop housing. Currently, it is engaged in an experimental project to compare timber and concrete as construction materials and a two-year follow-up study after completion. Other projects include a multi-storey residential building for urban families with children and a group rental housing concept.

The tenant turnover rate was 13 (12.3) per cent and the score in the resident satisfaction survey 3.72 (3.99) out of 5.

Alko Inc.

Alko's mission is to manage the exclusive retail of alcoholic beverages specified as its monopoly in the Alcohol Act. Alko Inc's online store and retail network of 359 outlets covers the whole of Finland. Additionally, there are 70 pick-up points to complement the network of shops.

ALKO INC.

State shareholding

100 %

Ownership steering

Ministry of Social Affairs and Health

Special assignment

Special assignment defined in section 23 of the Alcohol Act (1102/2017): Mitigation of alcohol-related problems.

Board of Directors 26 April 2018

Harri Sailas (Chair), Juhani Eskola, Kuisma Niemelä, Kirsi Paakkari, Pekka Perttula, Ulrika Romantschuk, Kirsi Varhila, Sini Heikkinen (staff rep.) and Riina Väntsi (staff rep.)

Chief Executive Officer

Leena Laitinen

Key financial indicators		2018	2017
Net sales	EURM	1 153,6	1 174,8
Operating income	EURM	46,0	52,6
Operating margin	%	4,0	4,5
Total assets	EURM	261,8	271,2
Equity ratio	%	34,8	31,7
Gearing	%	-128,2	-147,4
Return on equity	%	41,7	50,2
Return on investment	%	52,4	65,2
Total dividends paid	EURM	30	32
Dividends received by the State	EURM	30	32
Investments	EURM	10,1	7,9
Personnel, total, 31 Dec		2 690	2 646
Personnel, Finland, 31 Dec		2 690	2 646
Gender composition of the management team	w/m	5/2	5/2
Gender composition of the Board of Directors	w/m	3/4	3/4
Total tax footprint	EURM	653,2	644,7
Tax footprint in Finland	EURM	653,2	644,7

Responsible sales

Alko's outlets attracted a total of 55.3 million customers in 2018. According to the National Customer Service Survey, the company has provided the best customer service since 2011 and it held its ranking as the first retail company also in 2018 (Taloustutkimus Oy).

A total of 4.6 million presented proof of age when requested at the outlets. Additionally, the company carried out 0.5 million checks on suspicion of intoxication in connection with purchases and 0.3 million checks on suspicion of procurement for others. The score in the mystery shopping test measuring the success of age checks by outlets was 95 per cent, clearly exceeding the 93 per cent target.

Fifty nine per cent of Finns consider Alko's retail monopoly as a positive way of containing the ill-effects of alcohol (Kantar TNS Oy and the National Institution for Health and Welfare 2019).

Alko's strategy was updated in 2018. The company's mission is to establish the Most Responsible Way of Selling Alcohol.

Alko works in close collaboration with various organisations to alleviate alcohol-related problems. Alko continued its efforts under the "Selvästi hyvää työtä" (Sober at Work) and "Lasten seurassa" (With Children) campaigns in 2018.

CSC – IT Center for Science Ltd

CSC is a Finnish centre of information technology expertise which provides world-class ICT services for research, education, culture, government agencies and private companies.

CSC – IT CENTER FOR SCIENCE LTD

State shareholding

70 %

Ownership steering

Ministry of Education and Culture

Special assignment

To maintain and develop a centralised IT infrastructure for the provision of nationwide IT services

Board of Directors 1 January 2018

Mirjami Laitinen (Chair), Mika Hannula, Anu Harkki, Pentti Heikkinen, Heikki Mannila, Jouko Paaso, Veera Sylvius

Chief Executive Officer

Kimmo Koski

Key financial indicators		2018	2017
Net sales	EURM	44,9	40,5
Operating income	EURM	1,8	1,6
Operating margin	%	3,9	3,8
Total assets	EURM	31,1	26,4
Equity ratio	%	33,0	27,6
Gearing	%	-349,3	-314,0
Return on equity	%	31,2	39,9
Return on investment	%	39,1	49,6
Total dividends paid	EURM	0	0
Dividends received by the State	EURM	0	0
Investments	EURM	0,6	0,2
Personnel, total, 31 Dec		351	317
Personnel, Finland, 31 Dec		351	317
Gender composition of the management team	w/m	4/11	2/4
Gender composition of the Board of Directors	w/m	3/4	2/4
Total tax footprint	EURM	17,2	15,5
Tax footprint in Finland	EURM	17,2	15,5

Solutions for research and education

One of the key development projects in 2018 was the EUR 33 million infrastructure purchases for the Data Management and Computation Development Programme (DL2021 Project) launched by the Ministry of Education and Culture. Similarly, the infrastructure procurement for the national research and teaching network Funet was brought to a successful completion.

Hardware installations related to Funet's mid-life upgrade were also commenced in 2018. The network upgrade is proceeding on schedule. CSC was also involved in planning the modernisation of the inter-Nordic NORDUnet network.

Additionally, the company launched an Ideas Bank service in collaboration with universities for the purpose of collecting and promoting the development ideas of actors involved in research and the provision of university education. The company also signed a three-year partnering agreement with the National Archives and National Library on the utilisation of artificial intelligence.

A project was launched to migrate the data contained in the VIRTa Publication Information Services to the EU-funded OpenAIRE service, which provides access to open science in Europe. To promote the use of open teaching materials at the national level, a joint project was launched involving the Ministry of Education and Culture, the Finnish National Agency for Education and CSC.

Support for digitalisation

CSC provides a complete range of data management and utilisation solutions in support of interoperability and knowledge-intensive management.

CSC's role as a partner in government-launched development projects was further strengthened by the schemes to centralise the system for applying for state subsidies; collect financial statistics on municipalities and counties; explore the potential of harnessing data analysis, reporting and artificial intelligence; as well as to contribute to the eFinland projects and the planning of the genome centre.

Finnpilot Pilotage Ltd

Finnpilot Pilotage provides piloting service on all shipping lanes requiring pilotage in the Finnish territorial waters and on Lake Saimaa so as to promote safety at sea and prevent environmental damage.

FINNPILOT PILOTAGE LTD

State shareholding

100 %

Ownership steering

Prime Minister's Office

Special assignment

To provide pilotage services and take care of other related functions and duties specified in the Finnish Pilotage Act in the water areas defined in the said act.

Board of Directors 25 March 2019

Seija Turunen (Chair), Johanna Karppi, Markus Katara, Tuula-Riitta Markkanen, Petri Peltonen

Chief Executive Officer

Kari Kosonen

Key financial indicators		2018	2017
Net sales	EURM	40,3	38,1
Operating income	EURM	3,7	2,6
Operating margin	%	9,1	6,9
Total assets	EURM	26,3	27,5
Equity ratio	%	66,1	69,5
Gearing	%	-29,9	-34,3
Return on equity	%	16,3	11,0
Return on investment	%	20,0	13,0
Total dividends paid	EURM	3,5*	4,7*
Dividends received by the State	EURM	3,5*	4,7*
Investments	EURM	2,3	2,1
Personnel, total, 31 Dec		324	315
Personnel, Finland, 31 Dec		324	315
Gender composition of the management team	w/m	2/3	2/3
Gender composition of the Board of Directors	w/m	3/3	3/3
Total tax footprint	EURM	13,2	12,9
Tax footprint in Finland	EURM	13,2	12,9

Includes capital returns of EUR 2.0 and EUR 3.6 million

A good year

Financially, 2018 was the most successful year in the company's history. Net sales exceeded EUR 40 million and the operating margin reached 9.1 (6.9) per cent. The growth in sales and improved profitability were due to increased demand as the pilotage fees remained unchanged. No adjustments to the rates were made for 2019, either.

As the fees have now remained unchanged for the third years running, it is essential for the company's financial performance to operate cost-effectively and improve efficiency on an ongoing basis.

The number of nautical miles under pilotage grew by 5.5 (4.6) per cent. Despite the growth, the company was able to maintain a high standard of operations and provide the services on schedule 99.9 (99.9) per cent.

Evolving operations

The tragic accident in Emäsalo in December 2017 affected the company's operations throughout 2018. Corrective action was taken in the reporting period.

A new service channel, PilotOnline, was launched.

The current Pilotage Act permits remote pilotage experiments. The company will also be involved in the extensive Sea for Value research project to be launched in spring 2019. It is important for the company to network with new technology developers. A case in point is the remote pilotage project as it calls for broad-based cooperation between the parties engaged in shipping and navigation.

The fleet will also be upgraded. The first self-righting fast pilot vessel will be completed in 2019, and the company will also launch the construction of an electric and diesel-operated remote-controlled hybrid pilot cutter.

Finnvera Plc

Finnvera is a state-owned specialised financing company and the official Export Credit Agency of Finland. Finnvera seeks to create favourable conditions for Finnish companies and improve their competitiveness by offering loans, guarantees and export credits.

FINNVERA PLC

State shareholding

100 %

Ownership steering

Ministry of Economic Affairs and Employment

Special assignment

Finnvera on valtion omistama erityisrahoittaja ja Suomen virallinen vientitakuulaitos Export Credit Agency (ECA).

Board of Directors 31 December 2018

Pentti Hakkarainen (Chair), Tomi Lounema (1st Deputy Chair), Terhi Järvikare (2nd Deputy Chair), Kirsi Komi, Ritva Laukkanen, Pirkko Rantanen-Kervinen, Antti Zitting

Chief Executive Officer

Pauli Heikkilä

Key financial indicators		2018	2017
Net sales	EURM		
Operating income	EURM	100	109
Kulu-tuotto -suhde	%	29,3	27,2
Total assets	EURM	11 039	10 337
Equity ratio	%	12,3	12,7
Solvency ratio, Tier 1	%	27,2	25,3
Return on equity	%	7,4	8,5
Return on all assets	%	0,9	1,1
Total dividends paid	EURM	0	0
Dividends received by the State	EURM	0	0
Investments	EURM	-	-
Personnel, total, 31 Dec		357	379
Personnel, Finland, 31 Dec		357	379
Gender composition of the management team	w/m	37,5/ 62,5%	50/ 50%
Gender composition of the Board of Directors	w/m	57/43%	57/43%
Total tax footprint	EURM	10,6	9,8

*Domestic operations

Finnvera's financial result clearly positive

At the end of 2018, Finnvera had 25,700 customers and its liabilities in SME and midcap financing amounted to EUR 2.3 (2.5) billion. Export credits and special guarantees on behalf of large cap companies inclusive of liabilities and bidding commitments were EUR 23.3 (22.2) billion. Out of its SME and midcap funding, Finnvera provided financing for some 2600 start-ups and 2300 growth companies contributing to the creation of over 7700 new jobs.

Finnvera's corporate social responsibility focuses on four overriding themes: Finnvera's role in society; impact of its operations; responsible financing; and stakeholder relations.

The biggest liabilities in the large cap business were related to the boatbuilding, shipyard, telecom and forest sectors. Finnvera is expected to be self-financing. The consolidated financial result for 2018 was EUR 98 (107) million and the cost to income ratio 29.3 (27.2) per cent. Finnvera is exempted from business income tax. Of the nine economic policy objectives established by the Ministry of Economic Affairs and Employment, Finnvera achieved eight.

To safeguard its risk-bearing capacity and keep a lid on the cost of acquiring financing, Finnvera must be able to maintain a sufficient solvency ratio (minimum 15 per cent). At the end of 2018, Finnvera Group's solvency ratio was 27.2 (25.3) per cent. No solvency ratio target applies to export financing. If the assets of the export and specific guarantee funds and the State Guarantee Fund are taken into account in the determination of solvency, the estimated Tier 1 solvency of export financing would be less than 8.0 per cent (<8.0).

Instead, the ministry monitors the equity requirement which makes allowance for operational risks, notably credit risks.

Finrail Oy

Finrail Oy's line of business includes rail traffic control services, passenger information services, coordination of track work and traffic, electrified railway control centre operations and value-added services related to rail traffic management.

FINRAIL OY

State shareholding

100 %

Ownership steering

Ministry of Transport and Communications

Special assignment

To ensure the provision of rail traffic control services on an equal basis

Board of Directors 31 December 2018

Pertti Korhonen (Chair), Yrjö Poutiainen, Kirsi Nuotto

Chief Executive Officer

Pertti Saarela

Key financial indicators		2018	2017
Net sales	EURM	36,0	36,0
Operating income	EURM	1,8	2,4
Operating margin	%	5,0	6,5
Total assets	EURM	13,5	12,5
Equity ratio	%	45,4	37,2
Gearing	%	-138,5	-170,7
Return on equity	%	27,0	49,7
Return on investment	%	33,1	60,9
Total dividends paid	EURM	0	0
Dividends received by the State	EURM	0	0
Investments	EURM	0,2	0,2
Personnel, total, 31 Dec		448	414
Personnel, Finland, 31 Dec		448	414
Gender composition of the management team	w/m	4/5	2/6
Gender composition of the Board of Directors	w/m	1/2	2/4
Total tax footprint	EURM	14,5	14,7
Tax footprint in Finland	EURM	14,5	14,7

Business operations in 2018

Aside from Finrail Oy, the Finrail Group includes its wholly owned subsidiary Finlogic Oy. The company's 2018 net sales totalled EUR 36.0 (36.0) million with the operating income reaching EUR 1.8 (2.4) million. The Group achieved its financial objectives.

The expansion of the company's operations to ensure competition neutrality continued in 2018 in accordance with its growth strategy. Finrail Oy assumed responsibility for traffic control at the marshalling yards of Pieksämäki, Joensuu, Imatrankoski, Kotka and Riihimäki stations.

Parliament approved in 2018 the incorporation of the traffic control and management operations of the Finnish Transport and Communications Agency. By a business transfer completed on 1 January 2019, the system assets and intellectual property rights related to rail traffic control were transferred to Finrail Oy. A total of 15 agency employees transferred to Finrail. At the same time, Finrail Oy was converted into a subsidiary of the newly established state-owned Traffic Management Finland Oy.

Corporate social responsibility and sustainability

A key element of Finrail Oy's corporate social responsibility is to ensure rail safety. During 2018, not a single collision, derailling or other serious accident took place in the state-owned rail network due to Finrail Oy's traffic control operations. At the same time, CSR means that the company assumes responsibility for the personnel, stakeholders, the environment and financial performance. The company's CSR policy is determined by its values, strategy, risk management policy and the guidelines for CRS reporting issued by the Government.

A range of efforts were made in 2018 to develop occupational health and wellness of the personnel, and absence due to illness declined. Cooperation with Terveystalo was continued to prevent musculo-skeletal disorders accompanied by the provision of health training.

Governia Group

Governia Oy is a wholly state-owned special assignment company whose balance sheet is deployed to restructure ownership outside stock exchanges. The company is also tasked to develop the companies in its ownership.

GOVERNIA GROUP

State shareholding

100%

Ownership steering

Prime Minister's Office

Special assignment

To serve as a state investment company that can be used for special ownership restructuring purposes

Board of Directors 22 March 2019

Ilpo Nuutinen (Chair), Niclas Köhler, Taina Susiluoto, Helena Tarkka

Chief Executive Officer

Maaret Heiskari

Key financial indicators		2018	2017
Net sales	EURM	41,3	44,8
Operating income	EURM	16,8	12,7
Operating margin	%	40,7	28
Total assets	EURM	203	191
Equity ratio	%	69,7	65
Gearing	%	8,1	13,7
Return on equity	%	12,5	7,8
Return on investment	%	9,2	6,4
Total dividends paid	EURM	0	0
Dividends received by the State	EURM	0	0
Investments	EURM	66,5	2,9
Personnel, total, 31 Dec		22	23
Personnel, Finland, 31 Dec		22	23
Gender composition of the management team	w/m	n/a	n/a
Gender composition of the Board of Directors	w/m	2/1	2/2
Total tax footprint	EURM	2,5	5,1
Tax footprint in Finland	EURM	3,5	5,1

Active promotion of its special assignment

At the end of the financial year, Governia owned three fully owned subsidiaries; Kruunuasunnot Oy, Pietarin Suomi Talo Oy and Gok Oy.

Governia sold its 15 per cent stake in Raskone Oy in March 2018, after the State gave up its ownership of the company. In addition, Governia implemented the arrangements related to the acquisition of the Finland House in accordance with the planned ownership and management structure during the spring. The acquisition was based on the intergovernmental treaty between Finland and Russia, which was ratified in early 2018. The business concept of the Finland House was developed during the year. Increasing the utilisation rate and further development of the concept will continue to be a priority in the future.

Kruunuasunnot continued to develop its housing stock in line with its renewed strategy by launching new housing projects and developing the plots and properties in its ownership. The company completed the merger of its housing company subsidiaries with the parent company. In the summer of 2018, Kruunuasunnot made a deal in which it sold a total of 316 flats to a Finnish real estate investment company. The sale of assets, well-developed occupancy rates and cost control supported the company's financial performance. During the financial year, the company made investment decisions to start two new construction projects in Tampere. The construction project that has been in progress in Jyväskylä during the financial year will be completed in March 2019. The number of housing units leased to the Defence Forces continued to decline as expected. At the end of the financial year, the number of housing units leased to the Defence Forces was 587 (752).

Governia Group's earnings were affected by several non-recurring items, some of which were imputed. Financial income, which remained relatively steady, is of major importance to the parent company.

Hansel Ltd

Hansel is the government's joint procurement unit which provides its customers with joint procurement contracts for services and products as well as expert services for procurement.

HANSEL LTD

State shareholding

100 %

Ownership steering

Ministry of Finance

Special assignment

Hansel Ltd is a joint procurement unit whose mission is to improve productivity in public administration and act as a forerunner of effective and responsible public purchasing.

Board of Directors 1 January 2019

Timo Laitinen (Chair), Anna-Maija Karjalainen, Katariina Kempainen, Rami Metsäpelto, Jukka Hämäläinen

Chief Executive Officer

Anssi Pihkala

Key financial indicators		2018	2017
Net sales	EURM	10,9	10,4
Operating income	EURM	-0,7	0,2
Operating margin	%	-6,3	2,0
Total assets	EURM	18,7	19,3
Equity ratio	%	83,2	84,4
Gearing	%	-107,0	-97,1
Return on equity	%	-4,2	1,1
Return on investment	%	-4,2	1,4
Total dividends paid	EURM	0	0
Dividends received by the State	EURM	0	0
Investments	EURM	0,2	0,1
Personnel, total, 31 Dec		95	94
Personnel, Finland, 31 Dec		95	94
Gender composition of the management team	w/m	3/3	3/2
Gender composition of the Board of Directors	w/m	2/3	2/3
Total tax footprint	EURM	3,6	3,7
Tax footprint in Finland	EURM	3,6	3,7

Overview of developments in 2018

The volume of joint procurement projects continued to increase reaching EUR 895 million. In euro terms, the biggest purchases were made in IT hardware, consulting services and energy.

Sales of expert services increased to EUR 1.7 million, out of which EUR 1.4 million is related to services on arranging and holding tenders, and EUR 0.3 million to services on developing public procurement. For customers, the purchase value of all the projects put out to open tender reached approximately EUR 600 million.

Customer satisfaction was high. Hansel's commission was further reduced to 0.99 (1.03) per cent in 2018. Hansel has consolidated its position as the reformer of the government purchasing system and provider of digital purchasing services. Hansel continued to develop its analytics services.

The year 2018 was strongly marked by preparation for the merger with KL-Kuntahankinnat Oy. Negotiations began at the beginning of the year on the initiative of Kuntahankinnat and quickly led to the completion of a merger plan and merger agreement in May 2018. The owners of the companies, the State of Finland and the Association of Finnish Local and Regional Authorities, felt that a central procurement unit for the entire public sector would bring significant benefits to the customers, both from the point of view of developing purchasing expertise and through a wider range of services. In addition, large-volume purchases bring savings in their own right. The merger is expected to take place in 2019.

Corporate social responsibility is an important value to Hansel and plays an important part in all aspects of its operations. The company's social responsibility report describes the sustainability efforts extensively. Hansel is engaged in regular co-operation with the joint procurement units of other European countries.

HAUS Finnish Institute of Public Management Ltd

HAUS opened the eOppiva government e-learning platform and developed a new partnership solution, HAUS as a Service, as well as increasing the revenue from domestic business by EUR 1.1 million (31%).

HAUS FINNISH INSTITUTE OF PUBLIC MANAGEMENT LTD

State shareholding

100 %

Ownership steering

Ministry of Finance

Special assignment

HAUS Finnish Institute of Public Management Ltd's mission is to provide training and development services for government officials and promote government business. HAUS supports government administration and agencies in implementing reforms while consolidating its position as a key expert in management and skills development.

Board of Directors 1 January 2019

Hannu Mäkinen (Chair), Ilona Lundström, Pauli Forma, Susanna Niinistö-Sivuvirta, Paula Laine

Chief Executive Officer

Kyösti Väkeväinen

Key financial indicators		2018	2017
Net sales	EURM	6,4	6,1
Operating income	EURM	-0,2	0,1
Operating margin	%	-3,6	1,7
Total assets	EURM	5,6	4,1
Equity ratio	%	38,4	51,6
Gearing	%	-351,2	-143,1
Return on equity	%	-29,4	9,5
Return on investment	%	-19,0	8,0
Total dividends paid	EURM	0	0
Dividends received by the State	EURM	0	0
Investments	EURM	0,0	0,0
Personnel, total, 31 Dec		37	30
Personnel, Finland, 31 Dec		34	28
Gender composition of the management team	w/m	5/1	3/2
Gender composition of the Board of Directors	w/m	3/2	2/3
Total tax footprint	EURM	1,4	1,2
Tax footprint in Finland	EURM	1,4	1,2

Overview of developments in 2018

In 2018, the implementation of the new strategy published in 2017 was continued. Strategic goals include government partnerships, increasing the volume of domestic business and new development partnerships. In spring 2018, the Ministry of Finance, which is responsible for the ownership steering of HAUS, set up objectives for developing its role towards a government centre for digital learning and investing in the development of management programmes and expertise in counties.

The eOppiva government e-learning platform was opened to users in March. The learning environment has been developed in cooperation with the project steering group, network of interested parties and other agencies.

To develop agency partnerships, HAUS developed a new partnership solution, the HAUS as a Service (HaaS) model. In October, the Ministry of Finance signed an agreement on the adoption of the 'Uudistuja' programmes, originally designed by Sitra. Quality Management and Common Assessment Framework solutions were transferred to HAUS from the State Treasury as of November. The educational division of HAUS continued to provide specialist vocational qualification training.

HAUS continued its strong focus on international cooperation. New projects started in Turkey, Montenegro, Tanzania, Latvia and Greece. The Montenegro government personnel development project was Finland's first project in that country. The projects in Latvia and Greece started with the EU's support for structural reforms, which is a relatively new mode of operation between member states. In addition, HAUS joined the Erasmus+ cooperation with Latvia and Poland.

Horse Institute Ltd

Horse Institute Ltd's special assignment is to maintain a vocational equestrian college, organise and develop training in the field, maintain a national coaching centre for equestrian sports and promote horse breeding.

HORSE INSTITUTE LTD

State shareholding

25 %

Ownership steering

Ministry of Education and Culture

Special assignment

To maintain a vocational equestrian college and national coaching centre for equestrian sports

Board of Directors 31 May 2018

Thomas Stenius (Chair), Kari Haimi, Jouni Kangasniemi, Terhi Koipijärvi, Vesa Mäkinen, Jarmo Pynnönen, Fred Sundwall

Chief Executive Officer

Pauliina Mansikkamäki

Key financial indicators		2018	2017
Net sales	EURM	7,7	7,2
Operating income	EURM	0,3	0,0
Operating margin	%	3,2	0,2
Total assets	EURM	5,0	4,6
Equity ratio	%	75,6	76,0
Gearing	%	-53,3	-38,9
Return on equity	%	4,7	0,7
Return on investment	%	7,0	1,0
Total dividends paid	EURM	0	0
Dividends received by the State	EURM	0	0
Investments	EURM	0,1	0,1
Personnel, total, 31 Dec		73	79
Personnel, Finland, 31 Dec		73	79
Gender composition of the management team	w/m	5	1
Gender composition of the Board of Directors	w/m	1	6
Total tax footprint	EURM	0,6	0,8
Tax footprint in Finland	EURM	0,6	0,8

A new strategy in the right direction

The past year of the Horse Institute was full of vigorous activity. The new 'Täyttä hevoselämää 2020' strategy was completed in August. The strategy challenges the entire institute to change and pursue an international level in teaching, sports, improving conditions and customer focus. The idea of responsibility is present in many areas: financial management, personnel policy and environmental issues. The completion of the strategy was immediately followed by the need to ensure the strategic competence of the personnel. Hence, the Board of Directors decided to launch a strategic development programme and, as a result, operational co-operation negotiations involving the entire personnel were conducted.

The Horse Institute succeeded well in finding public funding, receiving, for instance, strategic funding for vocational training, Pomokilta funding for the management of change and funding for quality system development.

The vocational education reform entered into force at the beginning of 2018. Education management processes have been completely revamped, and teachers have been provided training in, for example, personalisation. The teaching and learning processes and operating models have been developed in close cooperation with other educational actors in the region, work life representatives and the Häme University of Applied Sciences (HAMK).

The need for more real-time monitoring of the cost structure is essential for anticipation and knowledge-intensive management. Since the beginning of 2018, the financial administration of the Horse Institute has been outsourced.

This year has been very successful for the national equestrian training centre of the Horse Institute, which arranged the latest international horse competition outstandingly. The Horse Institute's trotting stable made a great profit and the stable is now full of customers' horses. The Horse Institute participated in an education export promotion trip organised by HAMK in China.

Municipality Finance Plc

Municipality Finance Plc provides financing services for the municipal sector as well as state-subsidised housing. Municipality Finance Plc is owned by the municipalities, the Local Government Pensions Institution and the State. Municipality Finance acquires funding from the international capital markets.

MUNICIPALITY FINANCE PLC

State shareholding

16 %

Ownership steering

Ministry of the Environment

Special assignment

To secure affordable funding for the building and renovation of state-subsidised housing.

Board of Directors 28 March 2019

Helena Walldén (Chair), Minna Helppi, Markku Koponen, Jari Koskinen, Kari Laukkanen, Vivi Marttila, Tuula Saxholm, Maaria Eriksson and Raija-Leena Hankonen

Chief Executive Officer

Esa Kallio

Key financial indicators		2018	2017
Net sales	EURM	239,1	204,1
Operating income	EURM	190,0	198,4
Operating margin	%	79,5	97,2
Total assets	EURM	35 677	34 738
Equity ratio	%	4,2	3,9
Own funds in relation to risk weighted assets	%	88,0	75,5
Return on equity	%	10,8	12,6
Return on equity	%	0,4	0,5
Total dividends paid	EURM	6,3	6,3
Dividends received by the State	EURM	1,0	1,0
Investments	EURM	-	-
Personnel, total, 31 Dec		151	134
Personnel, Finland, 31 Dec		151	134
Gender composition of the management team	w/m	2/5	2/3
Gender composition of the Board of Directors	w/m	4/4	4/4
Total tax footprint	EURM	5,7	4,7
Tax footprint in Finland	EURM	5,7	4,7

Key role in affordable housing funding continues

Municipality Finance issued a total of EUR 3.0 (2.4) billion in new loans, and its lending portfolio rose to EUR 22.3 (21.2) billion. Of the loans, 45 per cent were for housing corporations, 35 per cent for municipalities and the rest for municipal companies or federations. Municipality Finance's operating income before taxes was EUR 190.0 (198.4) million. Municipality Finance does not aim to maximise profits.

The special assignment for Municipality Finance is to secure affordable funding for the building and renovation of state-subsidised housing. In 2018, state-subsidised housing production comprised about 8,600 new housing units, which is 6 per cent higher than the corresponding figure in 2017. The Housing Finance and Development Centre of Finland approved new interest-subsidy loans totalling EUR 1,383 million. According to the statistics of the Housing Finance and Development Centre of Finland, the Municipality Finance's share of new interest-subsidy loans was about 80 per cent, so it plays a key role as a financier of state-subsidised housing production. In new interest-subsidy loans for rental and right-of-occupancy buildings, the average interest rate of all creditors at the beginning of the loan period was 0.72 (0.82) per cent. Financing for state-subsidised housing production was historically inexpensive, which was primarily due to the low interest rate level.

Municipality Finance has raised green funding in the amount of about EUR 1.1 billion, and 12 housing projects were launched on green funding during the year.

Solidium Oy

Solidium holds minority interests in listed companies of national significance. The company operates on market terms and only makes investment decisions when the financial preconditions are met.

SOLIDIUM OY

State shareholding

100 %

Ownership steering

Prime Minister's Office

Special assignment

To reinforce and consolidate domestic ownership in listed companies of national significance, and increase the economic value of assets in the long term.

Board of Directors 11 September 2018

Harri Sailas (Chair), Timo Ahopelto, Eija Ailasmaa, Aaro Cantell, Markku Hyvärinen, Paula Lehtomäki, Marjo Miettinen, (Kimmo Viertola replaced Paula Lehtomäki on 13 March 2019)

Chief Executive Officer

Antti Mäkinen

Key financial indicators		2018	2017
Net sales	EURM	0,0	0,0
Operating income	EURM	-4,6	-4,6
Tilikauden voitto	EURM	349,6	304,6
Total assets	EURM	9 092,9	8 919,7
Equity ratio	%	88	85
Return on investments at fair value	%	8,3	32,4
Administrative cost ratio	%	0,06	0,07
Net asset value	EURM	8 009,9	7 626,3
Total dividends paid	EURM	351,0	307,0
Dividends received by the State	EURM	351,0	307,0
Personnel, total, 31 Dec		11	11
Personnel, Finland, 31 Dec		11	11
Gender composition of the management team	w/m	1/4	1/3
Gender composition of the Board of Directors	w/m	3/3	3/3
Total tax footprint	EURM	232	3
Tax footprint in Finland	EURM	230	-2

Financial performance in the financial year

Solidium's financial year is from 1 July to 30 June. The company does not generate net sales. Solidium's operating income for the financial year was approximately EUR -4.6 (-4.6) million. At the beginning of the financial year, Solidium introduced an accounting treatment in which shares are valued at fair value on the balance sheet, and changes are recognised in equity in the fair value reserve.

Market operations carried out by Solidium

During the financial year, Solidium sold shares for a total value of EUR 1416 million. In autumn 2017, Solidium sold Outokumpu shares for a total of EUR 36 million. In February 2018, Solidium sold SSAB shares for EUR 151 million and its remaining holdings in Telia Company for 517 million. Additionally, Solidium sold Sampo shares for EUR 466 million in March 2018 and Class R shares in Stora Enso for EUR 246 million in June.

Aside from the sales, Solidium acquired other shares to a total value of EUR 958 million during the financial year. It continued to invest in Konecranes by buying more shares for EUR 88 million. Solidium's biggest single investment was the purchase of Nokia shares for EUR 845 million in early 2018. A deal made partly possible by the sale of the interests in Telia Company. In June 2018, Solidium bought Class A shares in Stora Enso for EUR 25 million at the same time as it divested its Class R shares. As a result, Solidium's voting rights remained unchanged. After the end of the period, Solidium has continued to increase its holdings in Konecranes and invested as a new company in Nokian Tyres.

Solidium's board appointments

In Solidium's strategy updated in autumn 2017, the principal change concerns a more active role as an owner. Accordingly, the long-term goal of Solidium is to have a representative in the Board of Directors of every portfolio company.

SoteDigi Oy

Established at the end of 2017, the SoteDigi development company is responsible for the execution of projects and procurements related to the new digital solutions for the healthcare and social services sector, which are developed on national scale, and for developing support for them.

SOTEDIGI OY

State shareholding

100 %

Ownership steering

Ministry of Finance

Special assignment

To develop nationwide customer and patient data systems and other solutions for the healthcare and social services sector.

Board of Directors 1 January 2019

Hannu Leskinen (Chair), Siv Schalin, Juha Majanen, Visa Honkanen, Taru Kuosmanen, Liisa-Maria Voipio-Pulkki, Tapio Niskanen

Chief Executive Officer

Harri Hyvönen

Key financial indicators		2018	2017
Net sales	EURM	0,0	0,0
Operating income	EURM	-1,7	0,0
Operating margin	%		
Total assets	EURM	89,2	89,9
Equity ratio	%	99,2	100,0
Gearing	%	-99,1	-100,0
Return on equity	%	-1,8	
Return on investment	%	-1,8	
Total dividends paid	EURM	0	0
Dividends received by the State	EURM	0	0
Investments	EURM	1,2	0,0
Personnel, total, 31 Dec		21	
Personnel, Finland, 31 Dec		21	
Gender composition of the management team	w/m	5/2	
Gender composition of the Board of Directors	w/m	3/4	1/2
Total tax footprint	EURM	0	
Tax footprint in Finland	EURM	0	

Overview of developments in 2018

The company's first tasks since its establishment were to set up its project portfolio. The contents of the project portfolio were chosen during the early part of the year. The first recruitments took place in April-May when the Development Director and CEO started. In May, negotiations were started on the transfer of the ODA project's Omaolo service from the consortium of 14 municipalities to SoteDigi, and the Omaolo project office moved to SoteDigi in August.

The company's recruitment focus was on project management and architectural expertise as well as on the launch of essential support functions.

The leaders of quality, communication and financial operations began their work during the early autumn. From the point of view of the Omaolo service, an audited quality system is a must, because the system to be introduced is defined as a medical device. In August, the company recruited an architect, and in October a development model was published that emphasizes the adoption of open architecture and the deployment of national overall architecture.

In May, the three-member Board of Directors was supplemented by four members. The Board of Directors met once a month except in July. The client advisory board met regularly with representatives from 18 counties and the Ministry of Social Affairs and Health. In November, a project steering group was set up for the purpose of guiding projects. Strategic work started in August and will be finalised during the spring. The company's business model was updated in October. The company's financial situation remained stable during the period under review.

Omaolo will be deployed in February 2019. In connection with the Customer's Digital Services project, the development of the national 116117 emergency assistance concept was transferred from the Ministry of Social Affairs and Health to SoteDigi. Preliminary analysis and planning of the Customer Advice and Guidance project also started. In the knowledge management project, a preliminary study and a project plan were prepared together with Vimana.

STUK International Ltd

The company provides expert services to promote safety in the use of nuclear energy and radiation, and works in close cooperation with the Finnish Radiation and Nuclear Safety Authority (STUK). Its clients include foreign authorities responsible for radiation and nuclear safety as well as other public-sector operators in the field.

STUK INTERNATIONAL LTD

State shareholding

100 %

Ownership steering

Ministry of Social Affairs and Health

Special assignment

The objective of the sale of services is to generate profit for the company's owner, the State of Finland, and contribute to the development of the Finnish Radiation and Nuclear Safety Authority's expertise.

Board of Directors 31 December 2018

Ilona Lindholm (Chair), Petteri Tiippa, Kirsi Alm-Lytz, Jorma Aurela, Ilpo Nuutinen

Chief Executive Officer

Pekka Ottavainen

Key financial indicators		2018	2017
Net sales	EURM	7,4	0,6
Operating income	EURM	1,5	-0,1
Operating margin	%	19,8	-17,6
Total assets	EURM	5,4	9,0
Equity ratio	%	32,6	74,1
Gearing	%	-191,0	-118,1
Return on equity	%	50,3	-18,3
Return on investment	%	122,7	-10,8
Total dividends paid	EURM	0	0
Dividends received by the State	EURM	0	0
Investments	EURM	0	0
Personnel, total, 31 Dec		1	1
Personnel, Finland, 31 Dec		1	1
Gender composition of the management team	w/m		
Gender composition of the Board of Directors	w/m	2/3	
Total tax footprint	EURM		
Tax footprint in Finland	EURM		

Operation of the company

The company's primary purpose is to enable the sale of STUK's international expert services in a profitable way and in line with market terms. The provision of the company's expert services is mainly based on subcontracting, the most important partner being the Finnish Radiation and Nuclear Safety Authority. All the services provided have the same quality target – they must be “as if provided by STUK”. This will be given special consideration when other subcontractors besides STUK are selected.

STUK International Ltd's ambition is to be internationally the most highly esteemed and sought-after company that provides governmental organisations with expert services to promote safety in the use of nuclear energy and radiation. The objective of the sale of services is to generate profit for the company's owner, the State of Finland. Consulting tasks in a diverse international setting not only enhance STUK's own expertise, but also provide support for the retention of expertise for the needs of Finnish government agencies.

In addition to the provision of services related to nuclear energy, special emphasis is also put on the export of expertise in the safe use of radiation, environmental radiation monitoring and emergency preparedness and, wherever possible, on consultation tasks related to nuclear safeguards and security. The company develops products based on expert services related to the safe use of nuclear energy and radiation.

During its second year of operation, the company has continued the delivery of expert services for the development of independent nuclear authority operations consistent with international requirements in Saudi Arabia. Cooperation with STUK has been deepened, and the company has also invested in international marketing.

State Security Networks Ltd

The State Security Networks Group is a state-owned company with a special mission to ensure critical management capabilities in times of crisis, and to secure the provision of information society services under all circumstances.

STATE SECURITY NETWORKS LTD

State shareholding

100 %

Ownership steering

Prime Minister's Office

Special assignment

To construct and operate communications networks used by public administration authorities that are critical to the nation's security as well as other security networks.

Board of Directors 29 March 2019

Ilpo Nuutinen (Chair), Teemu Anttila, Leena Hellfors, Arja Lehtonen, Janne Koivukoski, Maria Nikkilä and Hannu Kauppinen

Chief Executive Officer

Timo Lehtimäki

Key financial indicators		2018	2017
Net sales	EURM	97,4	93,2
Operating income	EURM	-2,4	5,9
Operating margin	%	-2,5	6,3
Total assets	EURM	256,3	263,8
Equity ratio	%	86,7	85,7
Gearing	%	-7,8	-11,0
Return on equity	%	-1,8	1,9
Return on investment	%	-1,2	2,6
Total dividends paid	EURM	0	0
Dividends received by the State	EURM	0	0
Investments	EURM	20,4	23,5
Personnel, total, 31 Dec		345	318
Personnel, Finland, 31 Dec		345	318
Gender composition of the management team	w/m	0/7	0/7
Gender composition of the Board of Directors	w/m	3/4	3/4
Total tax footprint	EURM	17,5	14,7
Tax footprint in Finland	EURM	17,5	14,7

The Group developed in many directions

The strategic goal of the State Security Networks Group is to keep Finland as a forerunner with regard to cooperation between security actors. The Group's security-critical ICT services ensure the smooth functioning of everyday life.

The Group's operations were developed in three service areas: situational awareness services, data communications services and data centre services. In 2018, the Group carried out several acquisitions. In January 2018, State Security Networks strengthened its security expertise by wholly acquiring Deltagon Oy. In 2018, a joint ownership arrangement was concluded with SSH Communication Security which involved the establishment of the Kyberleijona joint venture for commercialising firewall technology. The purpose of the arrangement was to ensure that strategic security technology remains in Finnish ownership. At the end of the year, State Security Networks acquired the Li-oncloud service from Cinia Oy.

The use of the Virve public authority network expanded in 2018. Virve will undergo the largest changes in its history when it gradually moves to broadband, which provides Virve users with more extensive services.

In 2018, an organisational reform was carried out to improve the organisational structure to better serve customers, enhance administrative efficiency and prepare for future challenges.

Financial result

The Group's net sales increased to EUR 97.4 (93.2) million. The operating income decreased to EUR -2.4 (5.9) million, mainly due to non-recurring items. The Group's equity ratio was 86.7% which means that the Group is financially very sound.

Finnish Aviation Academy Ltd

The Finnish Aviation Academy is a special vocational institute that trains professional pilots for Finnish commercial aviation needs and develops aviation training. The company also sells aviation training services and other aviation-related services.

FINNISH AVIATION ACADEMY LTD

State shareholding

49,5 %

Ownership steering

Prime Minister's Office

Special assignment

To maintain the institute of education which provides aviation training

Board of Directors 29 March 2019

Kai-Petteri Purhonen (Chair), Ari Kuutschin, Tuula Lybeck and Juho Sinkkonen

Chief Executive Officer

Juha Siivonen

Key financial indicators		2018	2017
Net sales	EURM	10,2	9,5
Operating income	EURM	0,1	0,5
Operating margin	%	1,0	4,8
Total assets	EURM	19,3	19,0
Equity ratio	%	94,8	95,4
Gearing	%	-34,1	-34,8
Return on equity	%	0,6	2,0
Return on investment	%	0,6	2,7
Total dividends paid	EURM	0	0
Dividends received by the State	EURM	0	0
Investments	EURM	1,6	1,1
Personnel, total, 31 Dec		45	45
Personnel, Finland, 31 Dec		45	45
Gender composition of the management team	w/m	1/6	1/6
Gender composition of the Board of Directors	w/m	1/3	1/3
Total tax footprint	EURM	3,4	2,8
Tax footprint in Finland	EURM	3,4	2,8

The company addressed the need for pilots

The need for airline pilots in Finland has remained at a high level, the need for new pilots being about 50-100 a year. The company plans to train about 50 pilots annually. In 2018, a special project was also launched to train 8 helicopter pilots in 2018-2021 to meet the needs of the expanding rescue helicopter services.

The cessation of regular scheduled traffic at the Pori airport in 2018 affected the payments charged from the company for the Pori Airport services. Future timetables and a possible restart of Pori's scheduled traffic will also have an impact on the company's future payments.

The company's net sales increased to EUR 10.2 (9.5) million. Transfers from the State were the company's main source of income, accounting for approximately 75 per cent of its net sales. The operating income fell to EUR 0.1 million. The net sales from training sales increased to EUR 2.0 (1.7) million. The company will not pay dividends to its owners.

Responsibility equals safety and environmental responsibility

The corporate responsibility of the Aviation Academy focuses on aviation safety and environmental matters. The company's aviation safety is at an excellent level, and the company has a safety management system based on international regulations in place, which covers occupational safety and environmental risks in addition to flight operations.

The main impact on the environment comes from the emissions released during flight training. The company has modernised its fleet and thus significantly reduced its fuel consumption. Much of the training takes place in simulators which have virtually no environmental impact.

Finnish Minerals Group

The special assignment for the Finnish Minerals Group (formerly Terrafame Group Ltd) was extended to cover the development of the Finnish battery and mining industry. Its subsidiary Terrafame Ltd is the company's main asset.

FINNISH MINERALS GROUP

State shareholding

100 %

Ownership steering

Ministry of Economic Affairs and Employment

Special assignment

Development and ownership of the battery and mining industry.

Board of Directors 24 April 2018

Janne Känkänen (Chair), Juha Majanen, Minna Pajumaa.
New members as of 15 October 2018: Eeva Ruokonen, Antti Kumm

Chief Executive Officer

Matti Hietanen

Key financial indicators		2018	2017
Net sales	EURM	325,8	220,0
Operating income	EURM	2,3	-7,9
Operating margin	%	0,7	-3,6
Total assets	EURM	788,4	694,5
Equity ratio	%	59,7	53,3
Gearing	%	-16,9	-14,7
Return on equity	%	-7,5	-5,2
Return on investment	%	-1,3	1,4
Total dividends paid	EURM	0	0
Dividends received by the State	EURM	0	0
Investments	EURM	85,2	92,7
Personnel, total, 31 Dec		677	699
Personnel, Finland, 31 Dec		677	699
Gender composition of the management team	w/m	1/4	-
Gender composition of the Board of Directors	w/m	2/3	1/3
Total tax footprint	EURM	20,5	-15,8
Tax footprint in Finland	EURM	20,5	-15,8

The aim of the Finnish Minerals Group is to increase the benefits of the Finnish mining industry through state ownership and by increasing the degree of processing. The company owns about 72 per cent of its subsidiary Terrafame Ltd, about 24 per cent of Keliber Oy and about 2 per cent of Sotkamo Silver AB. The company is also a lender with regard to Ferrova Oy's convertible bonds. The Finnish Minerals Group also investigates new investment opportunities in Finland. The company also aims to create an integrated value chain in Finland for the production of lithium-ion battery components and raw materials, such as cells and cathode materials. This would ensure the acquisition of the greatest macroeconomic value and benefit from Finnish minerals, and promote the achievement of international climate goals.

Full production level achieved

Subsidiary Terrafame Ltd has achieved full production level. The company produced 27,377 tonnes of nickel and 61,608 tonnes of zinc. The operating margin was EUR 32.8 million. Terrafame Ltd made a decision to invest EUR 240 million in the construction of a battery chemical plant. The investment will help the company direct its production to the battery chemicals market which will grow in the future. Terrafame Ltd's main challenges are related to the development of the world market demand for metals as well as exchange rates.

Corporate responsibility is reflected in Terrafame Ltd's efforts to improve work and environmental safety. The risks and impacts related to the environment and nearby watercourses have diminished in recent years; for example, Terrafame Ltd used only 21 per cent of its annual permit for sulphate emissions. The frequency of accidents leading to absence from work was 7.2 (3.5) accidents per one million worked hours.

Finnish Industry Investment Ltd (Tesi)

Finnish Industry Investment Ltd is a state-owned capital investment company whose mission is to promote the growth and internationalisation of Finnish companies, and to develop the Finnish capital investment market. Tesi invests in portfolio companies directly and through private equity funds.

FINNISH INDUSTRY INVESTMENT LTD (TESI)

State shareholding

100 %

Ownership steering

Ministry of Economic Affairs and Employment

Special assignment

To develop the capital investment market, effect the renewal of trade and industry and create growth companies.

Board of Directors 8 March 2018

Kimmo Jyllilä (Chair), Marika af Enehjelm, Pauli Kariniemi, Jyrki Mäki-Kala, Mika Niemelä (Vice Chair), Annamaria Paloheimo, Riitta Tiuraniemi

Chief Executive Officer

Jan Sasse

Key financial indicators		2018	2017
Net gains on equity investments	EURM	89,7	68,7
Operating income	EURM	67,7	80,2
Operating margin	%	75,6	116,6
Total assets	EURM	1 030,5	1 020,3
Equity ratio	%	96,6	95,9
Gearing	%	-38,4	-46,2
Return on equity	%	5,5	6,9
Return on investment	%	6,9	8,5
Total dividends paid	EURM	16,0*	0
Dividends received by the State	EURM	16,0*	0
Investments	EURM	146,6	88,2
Personnel, total, 31 Dec		36	32
Personnel, Finland, 31 Dec		36	32
Gender composition of the management team	w/m	1/5	2/4
Gender composition of the Board of Directors	w/m	3/4	3/4
Total tax footprint	EURM	25,2	15,0
Tax footprint in Finland	EURM	25,2	15,0

*Paid during 2018

Private equity markets developed favourably in 2018

Tesi's investment commitments and direct investments in 2018 totalled EUR 121 million. At the end of the year, the equity investments managed by the company amounted to EUR 1209 million. The investees included 87 funds and 48 direct investee companies.

The KRR III fund of EUR 150 million, which invests in early and growth-stage businesses, invested in four funds during the year. All the KRR funds have so far invested in 26 funds. By the end of 2017, the funds had invested in a total of 200 companies, employing a total of 18,000 people and generating revenue of nearly EUR 3 billion.

Tesi's investment programmes are targeted in strategic growth areas or other areas that renew business structures. During the year, the International Co-investors programme was fully invested and the Industrial Renewal programme almost fully invested.

The mining investment programme, in turn, was handed over to the Finnish Minerals Group together with its investments. At the end of the year, a new circular economy investment programme was launched, with a capital allocation of EUR 75 million.

In June 2018, Tesi signed an agreement with the European Investment Bank on the management of an investment mandate of EUR 50 million channelled from the European Fund for Strategic Investments (EFSI). All in all, the programme will allow investments of around EUR 200 million in growth and internationalisation projects.

The number of jobs in Tesi's portfolio companies grew by more than 8000 during 2015-2017. The companies' net sales in Finland grew by 23 per cent during 2017. Tesi's special focus was on implementing corporate responsibility and impact goals. For instance, the company implemented an impact pilot together with Upright Project.

A long-term profitability target has been set for the company in the Act on Finnish Industry Investment Ltd. Despite the high-risk profile of the investment portfolio, the company's result has been profitable since 2014. The company's result for the financial year was EUR 55 million.

University Properties of Finland Ltd

SYK Oy is an owner and developer of higher education campuses outside the Helsinki metropolitan area. The company provides its customers with effective and cost-efficient facility solutions

UNIVERSITY PROPERTIES OF FINLAND LTD

State shareholding

33,33 %

Ownership steering

Ministry of Finance

Special assignment

To manage and lease buildings and premises mainly for the purposes of research and training and the business activities supporting them in order to safeguard the long-term operation of universities.

Board of Directors 24 January 2019

Päivi Mikkola (Chair), Sami Yläoutinen, Riitta Juutilainen, Essi Kiuru, Heli Huhtala, Keijo Hämäläinen

Chief Executive Officer

Mauno Sievänen

Key financial indicators		2018	2017
Net sales	EURM	159,5	150,9
Operating income	EURM	46,0	38,8
Operating margin	%	28,8	25,7
Total assets	EURM	1 357,1	1 268,8
Equity ratio	%	45,5	47,7
Gearing	%	106,7	103,5
Return on equity	%	4,6	3,6
Return on investment	%	3,6	3,2
Total dividends paid	EURM	18,6	14,9
Dividends received by the State	EURM	6,2	4,9
Investments	EURM	95,4	116,3
Personnel, total, 31 Dec		30	36
Personnel, Finland, 31 Dec		30	36
Gender composition of the management team	w/m	0/5	0/5
Gender composition of the Board of Directors	w/m	3/3	1/5
Total tax footprint	EURM	23,2	20,9
Tax footprint in Finland	EURM	23,2	20,9

Overview of developments in 2018

University Properties of Finland Ltd managed the universities' property assets responsibly and in a manner that secured their operation in the long term. In addition to renovations, large-scale property development activities also continued in 2018. Financial performance remained solid.

The company invested heavily in learning environments and in increasing business activities on campuses that support the operation of the universities. In 2018, nearly 10 of the tenants were entities other than universities and institutes of higher education.

The most significant rental activities in 2018 were the lease agreements concerning the new Aurum building in Turku and the renovation of Medisiina A-C. In terms of renting vacant premises, the most notable agreements concerned the leasing of premises on the Skinnarila Campus in Lappeenranta for basic education use (City of Lappeenranta) and for a private day-care centre as well as the leasing of premises on the Hervanta Campus, also for basic education use (City of Tampere).

In November 2018, the company issued a green bond, being the first to do so in the real estate business and third in the whole of Finland. The bond was very well received in the market, and it will contribute to the company's competitive financing and strengthen its position as a forerunner in responsibility and sustainability.

The main focus areas of the maintenance business have been energy management, annual repair programmes updated and implemented on the basis of condition assessments as well as ensuring operation in accordance with maintenance procedures.

The management of risks inherent to conditions remained at an excellent level. The company made considerable investments in the energy management of buildings and achieved excellent results in this regard in 2018.

VTT Technical Research Centre of Finland Ltd

VTT Technical Research Centre of Finland Ltd is one of the leading research and technology organisations in Europe. It helps customers grow and the society prosper through applied research.

VTT TECHNICAL RESEARCH CENTRE OF FINLAND LTD

State shareholding

100 %

Ownership steering

Ministry of Economic Affairs and Employment

Special assignment

Economic and innovation policy implementation tasks

Board of Directors 31 December 2018

Aaro Cantell (Chair), Heli Antila, Matti Hietanen, Kari Knuutila, Harri Leiviskä, Kaija Pehu-Lehtonen, Tuija Pulkkinen

Chief Executive Officer

Antti Vasara

Key financial indicators		2018	2017
Net sales	EURM	159,8	153,2
Operating income	EURM	-7,8	-18,2
Operating margin	%	-4,9	-11,9
Total assets	EURM	260,0	243,5
Equity ratio	%	59,0	58,5
Gearing	%	-79,0	-60,8
Return on equity	%	11,6	-13,9
Return on investment	%	8,4	-14,2
Total dividends paid	EURM	0	0
Dividends received by the State	EURM	0	0
Investments	EURM	9,0	22,3
Personnel, total, 31 Dec		2 041	2 081
Personnel, Finland, 31 Dec		2 041	2 081
Gender composition of the management team	w/m	6/3	5/4
Gender composition of the Board of Directors	w/m	3/4	3/4
Total tax footprint		35,1	39,5
Tax footprint in Finland		35,1	39,5

VTT Ltd's operations in 2018

VTT's goal is to create an impact with scientific and technological excellence together with partners. In 2018, VTT revamped its operations to ensure the efficiency of its operations and the excellence of its expertise through strategic development programmes. VTT launched eight international innovation ecosystems whose partner networks develop solutions to the challenges of smart energy, bioeconomy, synthetic biology, future nutrition, proactive healthcare, autonomous systems, industrial renewal and the electronics industry. The ecosystems are an effective platform for solving global challenges because they ensure collaboration involving the solutions provided by top-level research and the needs of business and industry. All the sustainability objectives set for VTT were achieved. VTT joined the Climate Leadership Coalition.

VTT continued its investments in major piloting and research environments. The Bioruukki Biomass Centre was completed in spring 2018 and the construction of the Green Chemistry Centre began in the autumn. Bioruukki serves as a platform for the Digital Fibre business ecosystem that seeks to create an innovation platform for digital bioeconomy. VTT has expanded its international cooperation on research infrastructures; for example, it works together with the RISE research institute in Sweden in the field of bioeconomics. Additional investment in hot cells were made in VTT's Nuclear Safety House. Strategic reforms were made to experimental activities in connection with the relocation of business premises in Tampere. Some of the robust research capabilities were abandoned with investments made into digital and virtual-assisted research environments. As part of the Renewal of the Finnish Electronics initiative, the facilities for research and manufacturing operations will be modernised and improved at the Espoo cleanroom facilities (Micronova). The research infrastructure for printed electronics in Oulu has been developed and improved with a new print line.

Finnish Fund for Industrial Cooperation Ltd (Finnfund)

Finnfund promotes the economic and social development of its target countries. The company is a venture capital provider that complements commercial financing and directs most of its financing to low-income and lower-middle-income developing countries.

FINNISH FUND FOR INDUSTRIAL COOPERATION LTD (FINNFUND)

State shareholding

94,1 %

Ownership steering

Ministry for Foreign Affairs

Special assignment

Finnfund promotes the economic and social development of its target countries by funding private sector projects.

Board of Directors 20 March 2019

Ritva Laukkanen (Chair), Tuukka Andersén, Sinikka Antila, Kristiina Kuvaja-Xanthopoulos, Pirita Mikkonen, Lars-Erik Schöring, Antero Toivainen, Tuula Ylhäinen

Chief Executive Officer

Jaakko Kangasniemi

Key financial indicators		2018	2017
Net sales	EURM	0,0	0,0
Operating income	EURM	-11,9	-10,2
Operating margin	%	-	-
Total assets	EURM	553,9	463,7
Equity ratio	%	46,4	52,6
Gearing	%	95,5	68,7
Return on equity	%	0,8	0,8
Return on investment	%	8,9	13,4
Total dividends paid	EURM	0	0
Dividends received by the State	EURM	0	0
Investments	EURM	-	-
Personnel, total, 31 Dec		80	76
Personnel, Finland, 31 Dec		80	76
Gender composition of the management team	w/m	2/3	2/3
Gender composition of the Board of Directors	w/m	5/3	5/3
Total tax footprint	EURM	0,15	0,57
Tax footprint in Finland	EURM	0	0

Finnfund's investments on the rise

Finnfund's investment portfolio grew by about 25 per cent during the year under review, and the result remained positive as the operations grew. One of the enablers for the growth of the investment portfolio was the convertible loan of EUR 130 million granted by the State in late 2016. Finnfund's share capital was also increased by EUR 10 million during the reporting year. During the year under review, Finnfund issued 26 new investment decisions, 24 of which were in lower-middle-income and low-income developing countries.

Development effects at the centre

Finnfund's role as an important instrument of Finland's development policy was emphasized following the additional financing granted during the Government term. The development effects and risks of the investment portfolio are widely monitored by various stakeholders. The company's administration was strengthened in order to lend support to the management of environmental, societal and human rights risks, and the evaluation of the developmental effects of the investments.

Finnfund attained the key targets set by the Ministry for Foreign Affairs and exceeded those concerning positive development effects and the cost-effectiveness of operations.

The Ministry for Foreign Affairs commissioned an independent evaluation of Finnfund's operations in 2018. According to the evaluation, Finnfund has succeeded in increasingly investing in the poorest countries and difficult sectors, while maintaining its economic profitability. The most positive developmental effects are found in the company's investments in agriculture and forestry.

Tietokarhu Oy

The company's main task in 2018 was to implement the statutory changes to the data systems of the Finnish Tax Administration to safeguard the correctness and disruption-free operation of taxation. Additionally, the company supported, for its own part, the deployment of the new Valmis software.

TIETOKARHU OY

State shareholding

20% (share of votes 80%)

Ownership steering

Ministry of Finance

Special assignment

Tietokarhu Oy is responsible, for its own part, for the data systems of the Finnish Tax Administration which enable timely and error-free levying of taxes.

Board of Directors 13 February 2019

Tomi Hytönen (Chair), Tarja Rautio, Mari Näätäsaari, Monica Ek-Lindblom, Tiina Häkkä

Chief Executive Officer

Pekka Liutu

Key financial indicators		2018	2017
Net sales	EURM	32,8	29,1
Operating income	EURM	7,2	4,6
Operating margin	%	21,9	15,7
Total assets	EURM	16,2	16,2
Equity ratio	%	37,7	25,1
Gearing	%	0,0	0,0
Return on equity	%	112,0	98,8
Return on investment	%	144,0	122,6
Total dividends paid	EURM	2,2	3,7
Dividends received by the State	EURM	0,4	0,7
Investments	EURM	0,0	0,0
Personnel, total, 31 Dec		137	164
Personnel, Finland, 31 Dec		137	164
Gender composition of the management team	w/m	67,7/ 33,3 %	28,6/ 71,4%
Gender composition of the Board of Directors	w/m	80/ 20 %	42,9/ 57,1%
Total tax footprint	EURM	8,1	7,8
Tax footprint in Finland	EURM	8,1	7,8

Overview of developments in 2018

Despite the gradually declining demand, the company's financial performance remained good, enabling additional price reductions for the Finnish Tax Administration. The company's level of service remained good, and the measured customer satisfaction clearly outperformed that of the reference groups.

The replacement of the current systems of the Finnish Tax Administration with non-developmental software, following the completion of the Valmis project, will gradually decrease the demand for the company's services. The number of personnel was adjusted to reflect the actual and foreseen decrease in demand.

The company's role in the renewal of the Tax Administration's data systems will be substantially reduced in the final phase of the Valmis project during 2019-2020. For many years now, preparations have been made for the situation and in December 2018, as expected, the Tax Administration terminated the service agreement of Tietokarhu, which will end on 31 December 2020. Therefore, Tietokarhu will, in the final phase of the agreement, focus on safeguarding the level of service and the customer's change project with the means at its disposal.

In order to enable the efficient and timely adoption of a new career path, the company has launched a separate support programme. The established subcontracting network and incentives to key personnel are used to minimise the risk of losing critical skills in the change situation.

State Business Development Company Vake Oy

Vake develops pioneer business activities and projects that take advantage of the rapid development of technology and thus, have a positive impact on the structure of the economy as well as future work and well-being in Finland.

STATE BUSINESS DEVELOPMENT COMPANY VAKE OY

State shareholding

100%

Ownership steering

Prime Minister's Office

Special assignment

Defined in the Government Resolution on State Ownership Policy

Board of Directors 5 April 2019

Reijo Karhinen (Chair), Paula Laine, Leena Mörttinen, Jukka Ohtola, Maria Ritola, Tuomas Syrjänen

Chief Executive Officer

Taneli Tikka

Key financial indicators		2018	2017
Net sales	EURM	0	198
Operating income	EURM	-1,1	-0,032
Operating margin	%	0	neg
Total assets	EURM	1 788	4,5
Equity ratio	%	98	100
Gearing	%	-0,2	-100
Return on equity	%	-0,1	-7,9
Return on investment	%	-0,1	0,2
Total dividends paid	EURM	0	100
Dividends received by the State	EURM	0	100
Investments	EURM		
Personnel, total, 31 Dec		4	
Personnel, Finland, 31 Dec		4	
Gender composition of the management team	w/m		
Gender composition of the Board of Directors	w/m	3/3	1/3
Total tax footprint	EURM		
Tax footprint in Finland	EURM		

Operational activities commenced

Vake's operation was characterised by the commencement of operational activities and the building of the organisation and operating models. Vake's Board of Directors was appointed in March, and the Board elected Taneli Tikka as the company's Managing Director. The company finalised its vision and strategy and chose artificial intelligence as its first theme.

Vake has a strong focus on the future and new technologies. Vake's vision is to build a future-proof Finland.

In December 2018, approximately 8.3 per cent of Neste Corporation's shares, 49.9 per cent of Posti Group Corporation's shares, 16.7 per cent of Vapo Oy's shares and all Nordic Morning Plc's shares were transferred to the ownership of Vake by virtue of a Government decision. In February 2019, a 36.2 per cent holding in Altia Plc was transferred to Vake. Ownership steering in respect of the transferred holdings is exercised by the Ownership Steering Department of the Prime Minister's Office. No earnings accrued to Vake during the financial year, and the personnel and other operating expenses caused the company to show a loss for the financial year.

The company's mission is to develop and accelerate new business within the chosen themes and to enable the most promising Finnish companies to develop into internationally important pioneers. The aim is to create important ecosystems in Finland that would not otherwise arise. Vake use a wide range of tools and industry-specific programmes to advance its themes. Next in focus will be the launch of investment and development activities in line with the objectives and strategic guidelines.

Veikkaus Ltd

Despite the increasing competition in the digital channels, the result of Veikkaus for 2018 remained at the previous year's level. During the year, Veikkaus prepared for major changes in its operating environment and drew up a new strategy for 2019–2021.

VEIKKAUS LTD

State shareholding

100 %

Ownership steering

Prime Minister's Office

Special assignment

Defined in the Lotteries Act

Board of Directors 27 March 2018

Olli-Pekka Kallasvuo (Chair), Outi Henriksson, Ilkka Kanerva, Minna Pajumaa, Tuomo Puumala, Hanna Sievinen, Jutta Urpilainen, Raimo Vistbacka

Chief Executive Officer

Olli Sarekoski

Key financial indicators		2018	2017
Net sales	EURM	3 154,7	3 230,9
Operating income	EURM	1 014,5	1 021,3
Operating margin	%	32,2	31,6
Total assets*	EURM	1 353,5	1 344,8
Equity ratio	%	87,3	86,1
Gearing	%	-10,8	-8,6
Return on equity	%	86,9	69,8
Return on investment	%	86,9	69,9
Total dividends paid	EURM	0	0
Dividends received by the State	EURM	0	0
Investments	EURM	40,3	46,3
Personnel, total, 31 Dec		2 074	2 039
Personnel, Finland, 31 Dec		2 074	2 039
Gender composition of the management team	w/m	2/6	4/6
Gender composition of the Board of Directors	w/m	4/4	4/4
Total tax footprint	EURM	297,5	303,4
Tax footprint in Finland	EURM	297,5	303,4

* The bulk of the total assets are pass-through items, all of which consist of the share of the financial year's profits distributed to the benefitting ministries as well as some short-term debts to players

Gambling is rapidly moving to digital channels

The company's new strategy aims to secure the exclusive but competitive operation of Veikkaus and to provide digital games and services that can compete with the fast-growing international gaming channels. The objective is to turn Veikkaus into a business that can succeed alongside international competition and continue to responsibly offer games also in the future, while minimising gambling problems and channelling gambling income for the benefit of the Finnish people.

Measured in terms of the gross gaming revenue, the total Finnish gaming market amounts to about EUR 2050 million, up 1.2 per cent on the previous year. Veikkaus accounted for about 86 per cent of the market. In the review year, 57.9 per cent of the company's net sales came from the retail network and 42.1 per cent from the digital channels.

Veikkaus returned a total of EUR 1014 million to the benefitting ministries, exceeding the amount to be distributed to the end recipients as recorded in the State budget. The company returned EUR 537.5 million to the Ministry of Education and Culture, EUR 436.1 million to the Ministry of Social Affairs and Health, and EUR 40.6 million to the Ministry of Agriculture and Forestry. In addition, tax on lottery prizes was paid to the Ministry of Finance in the amount of EUR 211 million.

A safe gaming service for Finns

At the end of 2018, Veikkaus had over 2 million Loyal Customers. The share of identified gaming of all gaming rose to 44.8% (+ 4.2 percentage points). The new Veikkaus card delivered to all Loyal Customers has increased the share of identified gaming in slot machine gaming.

The year 2018 was the first full year in which customers were required to set a mandatory money transfer limit and to determine the limits of loss for fast-paced draw games. It is estimated that the mandatory gaming limits reduced the growth of gross gaming revenue by about EUR 21 million in the digital channel in 2018.

Vimana Oy

Vimana Oy is a nationwide ICT service centre for counties established in 2017. Vimana Oy is tasked with providing information management, development, integration and expert services as well as data system and ICT services.

VIMANA OY

State shareholding

100 %

Ownership steering

Ministry of Finance

Special assignment

Vimana Oy is tasked with promoting the digitalisation of services for the future counties and their affiliated entities in order to improve effectiveness and productivity, and to unify and integrate operating processes.

Board of Directors 1 January 2019

Mirjami Laitinen (Chair), Tiina Pesonen, Harri Eskola, Anna-Mari Ahonen, Pertti Mäkelä, Juhani Heikka, Tapio Niskanen

Chief Executive Officer

Kalle Toivonen

Key financial indicators		2018	2017
Net sales	EURM	0,0	0,0
Operating income	EURM	-5,2	-0,2
Operating margin	%	-	-
Total assets	EURM	6,4	0,2
Equity ratio	%	86,1	20,3
Gearing	%	-108,4	-370,8
Return on equity	%	-185,4	-424,8
Return on investment	%	-184,8	-424,8
Total dividends paid	EURM	0	0
Dividends received by the State	EURM	0	0
Investments	EURM	0,0	0,0
Personnel, total, 31 Dec		30	5
Personnel, Finland, 31 Dec		30	5
Gender composition of the management team	w/m	2/5	-
Gender composition of the Board of Directors	w/m	3/4	3/3
Total tax footprint		0,2	-0,0
Tax footprint in Finland		0,2	-0,0

Review of 2018

The building of operational capability played a significant role in the company's operations. During the year, the company recruited actively, the number of employees reaching 30 by the end of the year. Temporary premises were cramped and the company moved to Technopolis Ruoholahti, in November. During the year, the company created basic processes and procedures for administration and management as well as project administration and service production.

The primary task of the company in the early stages is to ensure that the counties' responsibility to organise services is commenced on 1 January 2021. This task was promoted with the following projects:

- Customer Relationship Management (CRM)
- Knowledge-Based Management
- Case Management
- Shared User and Access Rights Management
- Core Data Network Connection to Shared and National Services
- Website Service
- Digital Communication Platform
- Access and Interfaces to Government Systems
- Support for Electronic Communication in Counties
- Monitoring Application for Rescue Services
- Decision-Making System for Farmers' Holidays

Of these projects, the Digital Communication Platform was in production use in early 2018. The pre-version of the Core Data Network Connection was obtained for test use during autumn 2018. Both Case Management and Access Rights Management services progressed to competitive tendering according to schedule. In general, all of the company's projects progressed in line with plans and objectives.

Two county tours were made during the year. The company's Board of Directors convened 10 times and the Client Advisory Board 5 times.

The Finnish Broadcasting Company Ltd (YLE)

The Finnish Broadcasting Company Ltd is responsible for the provision of versatile and comprehensive television and radio programming with the related additional and extra services for all citizens under equal conditions. These should be provided in public communication networks nationwide and regionally.

THE FINNISH BROADCASTING COMPANY LTD (YLE)

State shareholding

99,98 %

Ownership steering

Administrative Council elected by the Parliament / Ministry of Transport and Communications

Special assignment

To make comprehensive television and radio programming and related ancillary and extra services available for all citizens.

Board of Directors 31 December 2018

Thomas Wilhelmsson (Chair), Katri Viippola, Paulina Ahokas, Kai Huotari, Jussi Karinen, Lauri Kontro, Pauliina Mäkelä

Chief Executive Officer

Merja Ylä-Anttila

Key financial indicators		2018	2017
Net sales	EURM	471,7	472,3
Operating income	EURM	-7,5	7,0
Operating margin	%	-1,6	1,5
Total assets	EURM	315,4	249,2
Equity ratio	%	41,0	54,1
Gearing	%	9,9	4,6
Return on equity	%	-4,2	5,3
Return on investment	%	-3,0	4,1
Total dividends paid	EURM	0	0
Dividends received by the State	EURM	0	0
Investments	EURM	93,4	19,8
Personnel, total, 31 Dec		3 309	3 360
Personnel, Finland, 31 Dec		3 302	3 350
Gender composition of the management team	w/m	4/4	3/5
Gender composition of the Board of Directors	w/m	3/4	3/4
Total tax footprint	EURM	91,2	55,9
Tax footprint in Finland	EURM	91,2	55,9

Development of operations in 2018

YLE continued to carry out content-related and structural reforms to address the changes in media use, technology and working culture. 95% of Finns used some YLE content or service on a weekly basis (+2 per cent compared to 2017).

YLE vigorously developed the supply of Yle Areena content and continued to invest in the development of mobile and online services as well as the discoverability of content. YLE has invested in the quality of content and services, high-quality journalism, strengthening of community spirit and interaction as well as new ways of narrating and publishing in all content areas. The biggest efforts during the year included the presidential election, the summit of the US and Russian leaders in Helsinki and major sporting events.

YLE has made several experiments to utilise artificial intelligence, robotics and voice control in content production. The planned HD transition was postponed due to a tender complaint. YLE has increased programme purchases from outside the company and launched cooperation projects with commercial media in accordance with the guidelines of the parliamentary working group and the amendments made to the Act on The Finnish Broadcasting Company Ltd (YLE) (436/2017).

Corporate social responsibility

YLE executes social responsibility through its mission to provide public broadcasting services. YLE's versatile content and services promote the vitality of different population groups, regions, languages and cultures, as well as the citizens' equality and opportunities to be part of society. Responsibility includes ethical operating methods, responsibility for the effective use of the YLE tax and YLE's role as an employer in the creative field. Corporate social responsibility covers the company's values, strategy, risk management policy and ethical principles underlying all operations.

1.11 Sources of data and formulae for calculating key financial indicators

The data provided in this Annex 4 to the State Annual Accounts is based on publicly available information. An attempt has been made to select information on the companies and the share portfolio held by the State that is essential in the eyes of the Ownership Steering Department of the Prime Minister's Office. The Ownership Steering Department carries out independent analyses of the companies to formulate its own view of their status and performance. The key financial indicators presented in the report are ratios calculated by the State Ownership Steering Department using the following formulae. Consequently, the key indicators may differ from those calculated by the companies themselves. One of the reasons for the differences is the items included in the companies' comparable profit.

Operating margin -%	=	$\frac{\text{Operating margin}}{\text{Net sales}} \times 100$
Equity ratio, %	=	$\frac{\text{Equity} + \text{Minority interest}}{\text{Balance sheet total} - \text{Advances received}} \times 100$
Return on investment, %	=	$\frac{\text{Profit before taxes} + \text{Interest and other financial expenses}}{\text{Invested capital on average}} \times 100$
Return on equity, %	=	$\frac{\text{Net profit}}{\text{Equity (average for the financial year)}} \times 100$
Gearing, %	=	$\frac{\text{Interest-bearing net debts}}{\text{Equity}} \times 100$
Dividend yield, %	=	$\frac{\text{Dividend per share}}{\text{Share price}} \times 100$
Payout ratio, %	=	$\frac{\text{Dividend per share}}{\text{net earnings per share}} \times 100$
Return on all assets, %	=	$\frac{\text{Operating income} - \text{Taxes}}{\text{Balance sheet total on average}} \times 100$
Total own funds in relation to riskweighted asset, %	=	$\frac{\text{Total own funds}}{100 \text{ Risk-weighted receivables}} \times 100$

1.12 Corporate interests and parliamentary authorisations 31 Dec. 2018

Listed companies	Ownership steering	Group	State shareholding %	Minimum level of shareholding %
Altia Plc	PMO	1a	36,2 %	0,0 %
Elisa Corporation	Solidium Oy	1a	10,0 %	0,0 %
Finnair Plc	PMO	1b	55,8 %	50,1 %
Fortum Corporation	PMO	1b	50,8 %	50,1 %
Kemira Oyj	Solidium Oy	1a	16,7 %	0,0 %
Konecranes Oyj	Solidium Oy	1a	7,4 %	0,0 %
Metso Oyj	Solidium Oy	1a	14,9 %	0,0 %
Neste Corporation**	PMO	1b	44,7 %	33,4 %
Nokia Plc	Solidium Oy	1a	3,7 %	0,0 %
Outokumpu Oyj	Solidium Oy	1a	22,8 %	0,0 %
Outotec Oyj	Solidium Oy	1a	14,9 %	0,0 %
Sampo Oyj	Solidium Oy	1a	10,1 %	0,0 %
SSAB	Solidium Oy	1a	13,5 %	0,0 %
Stora Enso Oyj	Solidium Oy	1a	10,7 %	0,0 %
Tieto Oyj	Solidium Oy	1a	10,0 %	0,0 %
Valmet Oyj	Solidium Oy	1a	11,1 %	0,0 %
Yhteensä (lkm)		16		
Non-listed commercial companies	Ownership steering	Group	State shareholding %	Minimum level of shareholding %
Arctia Ltd	PMO	1b	100,0 %	50,1 %
Boreal Plant Breeding Ltd	PMO	1b	60,8 %	50,1 %
Fingrid Oyj	MF	1b	53,1 %	50,1 %
Gasum Corporation	PMO	1b	100,0 %	50,1 %
Kemijoki Oy	PMO	1a	50,1 %	0,0 %
Leijona Catering Oy	PMO	1b	100,0 %	100,0 %
Motiva Oy	PMO	1b	100,0 %	100,0 %
Nordic Morning Group Plc**	PMO	1a	100,0 %	0,0 %
Patria Plc	PMO	1b	50,1 %	50,1 %
Posti Group Corporation**	PMO	1b	100,0 %	50,1 %
Suomen Lauttaliikenne Oy	PMO	1b	100,0 %	100,0 %
Mint of Finland Ltd	PMO	1a	100,0 %	50,1 %
Finnish Seed Potato Centre Ltd	PMO	1b	22,0 %	0,0 %
Suomen Viljava Oy	PMO	1b	100,0 %	100,0 %
Tapio Ltd	PMO	1b	100,0 %	100,0 %
Vapo Oy**	PMO	1b	50,1 %	33,4 %
VR-Group Ltd	PMO	1b	100,0 %	100,0 %
Total (number)		17		
Commercial companies in total		33		

** On 5 December 2018, approximately 8.3 per cent of Neste Corporation's shares, 49.9 per cent of Posti Group Corporation's shares, 16.7 per cent of Vapo Oy's shares and all Nordic Morning Plc's shares were transferred to Vake by virtue of a Government decision. The Prime Minister's Office will continue in charge of ownership steering.

Companies entrusted with special state assignments	Ownership steering	Group	State shareholding %	Minimum level of shareholding %
Air Navigation Services Finland	MTC	2	100,0 %	100,0 %
A-Kruunu Oy	ME	2	100,0 %	100,0 %
Alko Inc	MSAH	2	100,0 %	100,0 %
Asset Management Company Arsenal Ltd ¹⁾	MF	2	100,0 %	100,0 %
Business Finland Oy	MEE	2	100,0 %	100,0 %
Cinia Group Ltd ³⁾	MTC	2	77,5 %	50,1 %
CSC – IT Center for Science Ltd	MEC	2	100,0 %	100,0 %
Finavia Corporation	PMO	2	100,0 %	100,0 %
Finnpilot Pilotage Ltd	PMO	2	100,0 %	100,0 %
Finnvera Plc	MEE	2	100,0 %	100,0 %
Finrail Oy	MTC	2	100,0 %	100,0 %
Gasonia Oy	PMO	2	99,0 %	0,0 %
Governia Oy	PMO	2	100,0 %	100,0 %
Hansel Ltd	MF	2	100,0 %	100,0 %
HAUS Finnish Institute of Public Management	MF	2	100,0 %	100,0 %
Horse Institute Ltd	MEC	2	25,0 %	0,0 %
National ICT service center for counties Vimana Oy	MF	2	100,0 %	100,0 %
Municipality Finance Plc	ME	2	16,0 %	0,0 %
Solidium Oy	PMO	2	100,0 %	100,0 %
SoteDigi Oy	MF	2	100,0 %	100,0 %
STUK International Ltd	MSAH	2	100,0 %	100,0 %
State Security Networks Ltd	PMO	2	100,0 %	100,0 %
Finnish Aviation Academy Ltd	PMO	2	49,5 %	0,0 %
Finnish Minerals Group	MEE	2	100,0 %	0,0 %
Finnish Industry Investment Ltd	MEE	2	100,0 %	100,0 %
University Properties of Finland Ltd	MF	2	33,3 %	0,0 %
VTT Technical Research Centre of Finland Ltd	MEE	2	100,0 %	100,0 %
Finnish Fund for Industrial Cooperation Ltd (Finnfund)	MFA	2	94,1 %	50,1 %
Tietokarhu Oy	MF	2	20,0 % ²⁾	50,1 %
State Business Development Company Vake Oy	PMO	2	100,0 %	100,0 %
Veikkaus Ltd	PMO	2	100,0 %	100,0 %
The Finnish Broadcasting Company Ltd (YLE)	MTC	2	100,0 %	100,0 %
Total (number)		32		
All companies (number)		65		

1) In receivership 2) The State's share of votes 80% 3) Commercial company

MTC = Ministry of Transport and Communications MEC = Ministry of Education and Culture MSAH = Ministry of Social Affairs and Health MEAE = Ministry of Economic Affairs and Employment MFA = Ministry for Foreign Affairs MF = Ministry of Finance PMO = Prime Minister's Office, Ownership Steering Department ME = Ministry of the Environment

Company Group 1a: The State has, exclusively or almost exclusively, a strong investor interest in the company. When control is exercised through ownership, due consideration must be given to the control or influence associated with the State's holdings as well as the owner's risk and involvement in decision making based on such holdings.

Company Group 1b: Aside from a strong investor interest, the companies in this category involve strategic interests that make it advisable for the State to remain a strong shareholder or take other steps to secure such strategic interests in case its holdings are decreased or relinquished.

Company Group 2: As an owner, the State has a special interest in the companies included in this category related to regulation or statutory duties; these companies have a state-defined political or other mission related to business and industry or society, or they play some other special role.



FINNISH
GOVERNMENT

SNELLMANNINKATU 1, HELSINKI
PO BOX 23, 00023 GOVERNMENT, FINLAND
[valtioneuvosto.fi/en/
julkaisut.valtioneuvosto.fi](http://valtioneuvosto.fi/en/julkaisut.valtioneuvosto.fi)

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